

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
FISCAL YEAR 1999 FINANCIAL STATEMENTS**

OIG-00-068

MARCH 13, 2000



Office of Inspector General

United States Department of the Treasury



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

March 13, 2000

MEMORANDUM FOR RICHARD L. GREGG, COMMISSIONER
FINANCIAL MANAGEMENT SERVICE

FROM: Dennis S. Schindel *Dennis S. Schindel*
Assistant Inspector General for Audit

SUBJECT: Department of the Treasury Financial Management
Service Fiscal Year 1999 Financial Statements

I am pleased to transmit the Department of the Treasury Financial Management Service (FMS) Fiscal Year 1999 Financial Statements. The FMS' financial statements were audited by the firm of KPMG LLP, an independent public accountant (IPA). The IPA issued the following reports, which are included in the attachment:

- Independent Auditors' Report on the Financial Statements;
- Independent Auditors' Report on Internal Control over Financial Reporting; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

The IPA rendered a qualified opinion on FMS' Fiscal Year 1999 financial statements. The audit opinion was qualified because FMS has not maintained sufficient detailed records to support \$260.4 million of the total \$275.3 million recorded as Governmental Liabilities for Deposit Funds - Foreign and Domestic, and \$19.6 million (gross value) of the total \$45.5 million recorded as Intragovernmental Liabilities for Deposit Funds and Suspense Accounts in the Balance Sheet.

The Independent Auditors' Report on Internal Control Over Financial Reporting cited three reportable conditions, which are also material weaknesses:

1. Lack of Documentation Supporting Liabilities for Deposit Funds and Suspense Accounts;
2. Financial Management and Reporting Policies and Procedures Need Improvement (Upgraded Prior Year Condition); and
3. Controls over Property and Equipment Need to be Strengthened (Prior Year Condition).

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The Independent Auditors' Report on Compliance with Laws and Regulations, exclusive of the Federal Financial Management Improvement Act (FFMIA) of 1996, disclosed no instances of noncompliance. However, under FFMIA, the report disclosed two instances in which FMS' financial management systems did not substantially comply with applicable requirements.

The IPA has issued a management letter dated January 21, 2000 discussing matters that were identified during the audit which were not required to be included in the audit reports.

As in the prior year, my staff monitored the conduct of the audit and performed a quality control review of the IPA's working papers. The audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

Should you have any questions, please contact me at (202) 927-5400, or a member of your staff may contact William H. Pugh, Deputy Assistant Inspector General for Audit (Financial Management) at (202) 927-5430.

Attachment

cc: Lisa Ross
Acting Assistant Secretary for Management and Chief
Financial Officer

Donald Hammond
Fiscal Assistant Secretary

Department of the Treasury
Financial Management Service **fms**

FY 1999
Financial Statements



Department of the Treasury
FINANCIAL MANAGEMENT SERVICE

Fiscal Year 1999 Financial Statements

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Department of the Treasury
Financial Management Service
Management Discussion & Analysis

MISSION STATEMENT

The mission of the Financial Management Service (FMS) is to provide central payment services for all Executive agencies, operate the Federal government's collections and deposit systems, provide government-wide accounting and reporting services, and manage the collection of delinquent debt.

ORGANIZATIONAL STRUCTURE

During 1999, FMS had a Full Time Equivalent (FTE) ceiling of 2,006. Most FTE positions were located in the Washington, D.C. metropolitan area. The remaining positions were located at five Regional Financial Centers located in Austin, Chicago, Kansas City, Philadelphia and San Francisco, and the Birmingham Debt Collection Center. In FY 1999, the FMS Birmingham Financial Center was converted to a Debt Collection Center to support requirements of the Debt Collection Improvement Act (DCIA) of 1996 and Debt Management Services.

FMS' executive structure includes the Commissioner, Deputy Commissioner, eight Assistant Commissioner areas and Office of Chief Counsel, Office of Legislative & Public Affairs, and Office of Quality & Diversity Management. The Commissioner and Deputy Commissioner provide executive direction for the entire agency and are directly responsible for the Office of the Chief Counsel, Office of Legislative and Public Affairs and Office of Quality and Diversity Management. The Assistant Commissioners are responsible for the following areas: Agency Services, Debt Management Services, Federal Finance, Financial Operations, Government-wide Accounting, Information Resources, Management and Regional Operations. A description of the Assistant Commissioner areas of responsibility is as follows:

Agency Services

Agency Services (AS) provides accounting and systems operations, financial management and systems consulting and financial education to other Federal agencies on a fee-for-service basis. The services provided are customized to meet the specific needs of the client agency while ensuring compliance with laws, regulations, and standards while furthering the Financial Management Service's mission. In providing these services, Agency Services' embraces three interdependent themes: customer satisfaction; entrepreneurial environment; and financial growth. In line with the CFO Council's priorities and objectives, Agency Services helps agencies improve financial accountability, improve financial management systems, and develop human resources. In FY 1999, Agency Services completed its third successful year as one of the Department of the Treasury's Franchise Fund Activities and its ninth year providing fee-for-service financial services.

Debt Management Services

Debt Management Services (DMS) is responsible for the development and implementation of government-wide debt management policies and operations to implement DCIA. DMS provides debt collection operational services to Federal agencies and collects delinquent debts owed to the

U.S. Government. It provides these services through a network linking its own debt collection expertise and capabilities with those of FMS's Financial Centers, Federal agencies' debt collection centers, private collection agencies, and the U.S. Department of Justice.

Federal Finance

Federal Finance (FF) is responsible for effectively controlling cash and credit management activities for the Federal Government and for improving the movement of the Federal Government's daily cash flow of more than \$10 billion. This includes establishing standards to ensure all agencies and departments utilize mechanisms for effective financial management. Federal Finance provides continuing liaison between Treasury and agencies and departments on all aspects of financial management.

Financial Operations

Financial Operations (FO) provides financial systems for Federal payments, claims, collections, and other transactions. Financial Operations accomplishes its mission by providing financial services, operating financial systems such as CASHLINK, Check Payment & Reconciliation System (CP&R), Government On-Line Accounting Link System (GOALS), Treasury Receivable Accounting Collection System (TRACS) and overseeing Treasury Managed Accounts and Central Agency functions. This organization serves as the banker for the Federal government and is responsible for the reconciliation of payments. FO resolves claims for and against the government resulting from Treasury checks having been lost, stolen, forged or otherwise improperly negotiated. The accounting for the non-entity accounts is a responsibility of this functional area.

Government-wide Accounting

Government-wide Accounting (GWA) is responsible for Federal central accounting and government-wide reporting, Chief Accounting Officer functions, and compilation of the government-wide consolidated financial statements, which are subject to examination by the General Accounting Office (GAO). This functional area develops accounting policies, sets reporting requirements and creates the mechanisms that Federal Program Agencies use to improve the ways in which they manage their fund balances with Treasury.

Information Resources

Information Resources (IR) is responsible for overseeing the effective use of information technology across the major financial business areas of FMS. The Assistant Commissioner of IR serves as FMS's Chief Information Officer (CIO) pursuant to the Clinger-Cohen Act. Other responsibilities include: designing systems to carry out Federal financial management and accounting functions; providing computer and telecommunication services to support FMS and Federal programs nationwide; improving and modernizing the systems and hardware platforms through which the Federal government makes payments and collections as well as performing financial accounting and reporting. IR also develops and enforces FMS-wide information

technology policies and standards; designs, implements, and maintains automated databases; formulates and disseminates quality assurance and quality control standards as well as procedures for use in measurements and evaluations; and ensures physical and systems security of automated systems.

Management

Management (M) is responsible for providing FMS-wide administrative support and performing Chief Financial Officer (CFO) functions. Administrative support functions include personnel, budget, finance, management controls, procurement, planning, facilities management, and Equal Employment Opportunity.

Regional Operations

Regional Operations (RO) is responsible for managing and operating Federal payment systems and for disbursing approximately 85% of all Federal payments. RO also develops and implements payment policy and procedures for the Federal government, promotes the use of Electronic Funds Transfer (EFT) capabilities, and assists in the development and operation of debt management services, such as the Treasury Offset Program (TOP).

PROGRAM HIGHLIGHTS

The following descriptive highlights for FMS' programs are offered in support of Treasury's financial mission.

Treasury Objective: Improve Federal Non-Tax Debt Collection

Debt Collection – FMS provides debt collection operational services to client agencies using two primary collection programs. Through TOP, Federal payments to a person are reduced by that person's overdue Federal debts. Current payment types subject to offset include Office of Personnel Management (OPM) retirement annuities, Internal Revenue Service (IRS) tax refunds, vendor payments, and some Federal salary payments. Agencies may also refer their delinquent debts to the Cross-Servicing Program, which applies a variety of collection tools, including Treasury demand letters, telephone calls to debtors, credit bureau reporting, and referral of debts to private collection agencies.

Treasury Objective: Ensure All Federal Payments Are Accurate And Timely

Payments - FMS implements payment policy and procedures for the Federal government, issues and distributes payments, promotes the use of electronic mechanisms in the payment process, and assists agencies in meeting EFT requirements.

Treasury Objective: Ensure That The Government's Cash Management Activities Minimize Risk And Provide Immediate Flow and Balance Information

Collections - FMS implements cash management and collection policies and procedures for the Federal government, facilitates collections by promoting the use of electronic mechanisms in the collection process, and assists agencies in converting to electronic media.

Treasury Objective: Provide Accurate and Timely Financial Information and Support the Government-Wide Implementation of Accounting Standards

Government-wide Accounting - FMS provides central financial accounting, reporting and financing services to the Federal government and the government's agents who participate in the payment and collection process. This is done by generating a series of daily, monthly, quarterly and annual government-wide reports and by working directly with agencies to help reconcile reporting differences.

Treasury Objective: Strengthen The Government's Financial Infrastructure To Improve The Efficiency of Program Management Across Government

Financial Report of the U.S. Government

In March 1999, the Financial Management Service published the Financial Report of the U.S. Government for FY 98, formerly known as the Consolidated Financial Statements of the U.S. Government. The report, based on accounting standards applicable government-wide, includes audited statements covering the executive branch, as well as parts of the legislative and judicial branches of the U.S. government. In the report, the Secretary of the Treasury stated, "The Administration initiated the development of this financial report in order to create what we believe will be a useful management tool for policy-makers and a source of useful information for the public. . . The publication of this second annual financial report represents one component of the Clinton Administration's continuing commitment to improve the management and efficiency of the United States Government."

Government-wide Accounting Modernization (GWA) Project

FMS is responsible for providing government-wide accounting and reporting services. Although the government's accounting and reporting requirements have changed dramatically and existing systems have been enhanced to take advantage of advancements in technology, the underlying approach to the government's accounting and financial reporting has not changed in almost 40 years. In FY 99, FMS initiated the Government-wide Accounting (GWA) Project to re-examine FMS' existing business processes and make fundamental changes. This is a long-term project, which will probably significantly affect existing systems within FMS and at Federal agencies.

Integrity and Accuracy of FMS Systems

Because of the central role that FMS plays in the government's financial infrastructure, FMS' systems must provide complete, secure, and accurate financial information with a high degree of systems integrity. In FY 99, FMS implemented aggressive information technology (IT) security and management control programs to increase assurance that: 1) all financial systems and associated computer controls have integrity and are secure, and 2) all FMS employees and contractors are aware of IT security policies and practices. This included providing FMS-wide security awareness training to over 1,500 individuals and 15 on-site security reviews. In FY 99, FMS also re-vitalized its management control program to better secure the effective management and use of FMS resources and to provide additional protection against fraud, waste and abuse.

TREASURY PROGRAMS

The Financial Management Service plays a critical role in improving the government's financial infrastructure and improving the efficiency of program management government-wide. Actual improvements depend on FMS' leadership and innovation in its responsibility for:

- Providing government-wide accounting and reporting services;
- Compiling and publishing government-wide financial reports;
- Operating the government's collection and deposit systems;
- Providing central payments services for most Executive Branch Agencies;
- Processing and resolving claims on all lost, stolen, and forged payments;
- Overseeing the government's daily cash flow;
- Managing government-wide debt collection services; and
- Providing government-wide policy and assistance for cash and credit management.

One of FMS' ongoing strategies is to maximize the use of the Federal Reserve System infrastructure for service delivery. In FY 99, FMS successfully partnered with the Federal Reserve Bank of San Francisco (FRB-SF) to combine the Tax Refund Offset program with the Treasury Offset Program to collect delinquent debt. FRB-SF provided design and development support while relying on FMS for functional knowledge, system requirements, system testing, and computer "platform" support. This partnership continues to grow with the development of programs to offset government payments for Social Security and federal employee salaries and to collect tax debt. FMS also is partnering with Federal Reserve Banks to improve the systems for making payments for Federal agencies and for processing claims for lost or stolen government checks.

FMS had many achievements during fiscal year 1999. For example, FMS:

- Issued over 879 million payments, totaling more than \$1 trillion dollars, in a timely and accurate manner, for all executive agencies except the Department of Defense, the U.S. Postal Service, the U.S. Marshals Service and certain government corporations.

- Managed the mechanisms that collected revenue of approximately \$2 trillion for the Federal government.
- Processed 6,078 transactions for charges to the Judgment Fund totaling \$1.6 billion.
- Monitored the financial solvency of over 300 insurance companies that provide protection of approximately \$160 billion through surety bonds to the Federal government.
- Completed a successful implementation of PACER On-Line, Digital Check Imaging, CASH-TRACK and major enhancements to several legacy systems including CP&R and TRACS.
- Worked with Federal agencies to convert over 68% of Treasury-disbursed payments to electronic funds transfer in FY 99, a 5% increase over FY 98.
- Designed and implemented the Electronic Transfer Account (ETA) to provide a low-cost account at Federally-insured financial institutions for individuals to receive their Federal payments electronically. ETA meets the needs of individuals who do not currently have a banking relationship.
- Processed \$40 billion of Federal agencies' withholding tax collections and IRS Form 941 quarterly reports for the Internal Revenue Service using an electronic tax payment system (FEDTAX II).
- Successfully merged the Tax Refund Offset (TRO) and TOP Programs. As a result of the merger, the value of the debts in the delinquent debtor database increased from \$58.8 billion in 1998 to \$70 billion, including \$22.8 billion in Federal non-tax debt and \$47.2 billion in child support in 1999. TRO collections for FY 99 were \$2.6 billion, an increase of approximately \$600 million over the \$2 billion collected in FY 98.
- Collections in the Treasury Offset Program (not including Tax Refund Offset) increased to \$5.9 million in FY 99. This was a \$2.4 million increase over FY 98 collections and represents almost 60% of total collections since the inception of the program in mid FY 96. During FY 99, TOP referrals for Federal non-tax debt reached \$23.3 billion. In addition, \$9.3 billion in child support debt had been referred through August of FY 99.
- Developed and implemented an Internet-based electronic commerce application that allows vendors receiving Federal payments to access critical invoice information. Use of the Internet has been very successful and was well received by both Federal agencies and vendors.
- FMS continued to implement Electronic Data Interchange (EDI) payment applications in partnership with 16 Federal agencies. EDI transmits the payment and related information (e.g., invoice details) to other Federal agencies. Approximately 250,000 transactions valued at \$2 billion were processed with 1.8 million addenda records.

The vast majority of payments made by FMS are Old Age and Survivor Benefits and Supplemental Security Income (SSI) payments issued on behalf of the Social Security Administration (SSA). These payments account for more than 600 million payments annually, which comprise 70% of FMS's payment volume. FMS' average monthly payment volume is over 42 million SSA payments and 6.5 million SSI payments with a total value of approximately \$30 billion.

The FMS system issued nearly 50 million EFT salary and allotment payments and began implementation in January with customers being serviced by the Kansas City Regional Financial Center. This same system has been implemented for customers serviced in four other payment centers.

With respect to collections, FMS manages the processing of more than \$2 trillion in Federal revenues, which include corporate and individual income taxes, customs duties, and Federal fines. Electronic Funds Transfer Payment System collected 60% of the Government's total collections, and 70% of total tax collections. The IRS Lockbox, General Lockbox, and Plastic Card Networks and other collection systems accounted for the remaining 40%.

With regard to government-wide accounting, FMS maintains the central accounting and reporting systems that track the government's monetary assets and liabilities.

FY 1999 Performance Measures and Results

Program performance measures are used to measure the efficiency and effectiveness of managerial performance and to meet requirements set forth by the Government Performance and Results Act (GPRA) of 1993. FMS performance measures are coded for easy identification, tracking, and reporting purposes: P-Payments, C-Collections, D-Debt Collection, and G-Government-wide Accounting and Reporting. For example, P1 stands for the first Payments measure.

PAYMENTS

P1 Dollar savings by reducing the number of check payments (in thousands).

FY 99 Final Plan: \$13.8 million

FY 99 Actual: \$10.3 million

Explanation: We fell short of our FY 99 Final Plan. The movement to EFT slowed when Congress made mandatory EFT optional so that beneficiaries and payees could choose to receive their payments by check instead of Direct Deposit or the new Electronic Transfer Accounts.

P2 Percentage of check payments released on-time.

FY 99 Final Plan: 99.9993%

FY 99 Actual: 99.9949%

Explanation: We fell short of our FY 99 Final Plan. The difference is .0044%, which represents 14,319 checks not released to the United States Postal Service on time.

P3 Percentage of payments customers indicating an overall rating of satisfied or better.

FY 99 Final Plan: 99%

FY 99 Actual: 99.3%

Explanation: We slightly surpassed the FY 99 Final Plan.

P4 Percentage of forgery and nonreceipt check claims processed within current FMS standards (14 days or fewer).

FY 99 Final Plan: 90%

FY 99 Actual: 93.5%

Explanation: We surpassed the FY 99 Final Plan owing to internal process changes implemented by FMS managers.

P5 Percentage of transmissions of value (payments) and associated information made electronically.

FY 99 Final Plan: 69%

FY 99 Actual: 68.02%

Explanation: We did not reach our FY 99 goal of 69%. There was a larger volume of tax refunds this fiscal year than we forecasted; refunds are primarily check payments.

P6 Number of States in which direct Federal Electronic Benefits Transfer (EBT) will be retrofitted.

FY 99 Final Plan: 16

FY 99 Actual: 8

Explanation: In FY 98, there was a two-pronged strategy to implement direct Federal EBT in the Southern Alliance of States (SAS) and to promote retrofitting for non-SAS states. FMS did not gain the regulatory authority to retrofit additional non-SAS states. As a result of this action, retrofitting is no longer the primary program strategy. Shortly after publication of 31 CFR 208, Treasury modified its strategy direction to support the implementation of Electronic Transfer Accounts.

P7 Unit cost to FMS for Federal government payments.

FY 99 Final Plan: \$0.2186

FY 99 Actual: \$0.2158

Explanation: The unit cost calculation represents actual direct and reimbursable costs attributable to the payment activity. The costing calculation for FY 1999 gives equal weight to paper and electronic payments in order to arrive at a unit cost for payments.

PAYMENTS WORKLOAD STATISTICS (thousands):

1. Number of check claims submitted

FY 99 projections: 1,375

FY 99 actual: 1,391

2. Number of check payments

FY 99 projections: 278,000

FY 99 actual: 280,973

3. Number of electronic payments

FY 99 projections: 610,000

FY 99 actual: 597,695

COLLECTIONS

C1 Electronic Collections as a Percentage of Total Collections.

FY 99 Final Plan: 75%

FY 99 Actual: 72%.

This measure combines withholding tax data and non-tax data. The projected percentage of withholding taxes collected electronically was negatively impacted by these external factors:

- Congress no longer required that taxpayers owing between \$50,000 and \$200,000 in annual tax liabilities pay those taxes electronically, which reduced the number of taxpayers required to pay their taxes electronically;
- IRS delayed the implementation date on which they would require that non-electronic payments be made via magnetic tape, thereby reducing the conversion of a substantial number of non-electronic taxpayers to electronic payment means; and
- IRS decided not to penalize taxpayers who were mandated to pay their taxes electronically and still chose to pay non-electronically, thus reducing the number of mandated taxpayers remitting their payments electronically.

C2 Percentage of corporate withholding taxes collected electronically.

FY 99 Final Plan: 94%

FY 99 Actual: 89.3%

We fell short of the plan because Congress raised the mandate for electronic payment from \$50,000 in annual taxes to \$200,000. Also, there was a delay in introducing an option to pay taxes electronically via the Internet, which, had it been available, would have boosted the percentage of taxes paid electronically. The projected percentage of non-tax collections converted to electronic collections was negatively impacted by agencies and Treasury financial agents concentrating on Y2K priorities, thus diverting resources away from electronic collections.

C3 Percentage increase over prior year in transmissions of value (collections) and associated information made using financial Electronic Data Interchange (EDI).

FY 99 Final Plan: 30%

FY 99 Actual: 83%

FMS exceeded the target because a new remitter was added to the Housing and Urban Development (HUD) EDI application in December 1998. This remitter represents a large percentage of collections for HUD.

DEBT COLLECTION

D1 Increase collection of the debts referred to Treasury from FY 98 baseline \$1.988 billion by \$8.5 million in FY 99 and \$93.1 million in FY 2000 through the addition of more Federal payment types and agency referrals into the centralized administrative offset program by FY 2000. *[Payment types include vendor/miscellaneous, salary payments, tax refunds (including child support), and Federal benefit payments].*

FY 99 Final Plan: \$1.997 billion

FY 99 Actual: \$2.631 billion

Explanation: FMS exceeded the FY 99 Final Plan. This increase can be attributed to a number of internal and external factors, including: 1) system enhancements made by FMS that allow offset matching on both social security numbers on joint tax returns; 2) an increase in debt referrals for child support and Federal non-tax debt; 3) system flexibility that allows creditor agencies to add and update debt records on a continuous basis; and 4) an increase in the average amount and number of tax refund payments due in part to new tax credits.

- D2 Increase the amount of delinquent debt that is referred to Treasury for collection, as compared to the amount of delinquent debt that is eligible for referral. Total percentage will reach at least 75% by FY 2000. Baseline is FY 97.**

FY 99 Final Plan: 68%

FY 99 Actual: 71%

Explanation: FMS exceeded the FY 1999 Final Plan. The increase can be attributed to a number of internal and external factors, including: 1) system enhancements made by FMS that allow offset matching on both social security numbers on joint tax returns; 2) an increase in debt referrals for child support and Federal non-tax debt; 3) system flexibility that allows creditor agencies to add and update debt records on a continuous basis; and 4) an increase in the average amount and number of tax refund payments due in part to new tax credits.

GOVERNMENT-WIDE ACCOUNTING

- G1 Percentage of agency reports for the Consolidated Financial Statement (CFS) processed by FMS within the established standard range.**

FY 99 goal: 97%

FY 99 actual: 81%

Explanation: The FY 99 actual agency report submission percentage dropped from 97% to 81% because of the acceleration of the due date by two weeks.

- G2 Decrease in unresolved prior year recommendations and audit findings that prevent a clean opinion on the audit of the CFS.**

FY 99 goal: 25%

FY 99 actual: Data currently not available

Explanation: The FY 99 actual cannot be determined until the release of the FY99 CFS that is due out on March 31, 2000.

- G3 Percentage of days the Daily Treasury Statement (DTS) is released on time.**

FY 99 Final Plan: 99%

FY 99 Actual: 100%

Explanation: The target was exceeded because there were no external factors, such as inclement weather delays to prevent daily release.

G4 Percentage of GOALS I applications redeveloped for migration to the GOALS II platform.

FY 99 Final Plan: 60%

FY 99 Actual: 60%

Explanation: The target was met.

Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the entity, consistent with the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Independent Auditors' Reports



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on the Financial Statements

To the U.S. Department of the Treasury Office of Inspector General and
The Commissioner of the Financial Management Service:

We have audited the accompanying consolidated balance sheet of the U.S. Department of the Treasury's Financial Management Service (FMS) as of September 30, 1999, and the related consolidated statements of net cost, changes in net position, budgetary resources, and financing, and the statement of custodial activity for the year then ended. These financial statements are the responsibility of FMS management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

FMS has not maintained sufficient detailed records to support \$260.4 million of the total \$275.3 million recorded as Governmental Liabilities for Deposit Funds – Foreign and Domestic, and \$19.6 million (gross value) of the total \$45.5 million recorded as Intragovernmental Liabilities for Deposit Funds and Suspense Accounts, in the Balance Sheet. It was not practical to extend our auditing procedures sufficiently to satisfy ourselves as to the propriety of these account balances as of September 30, 1999.

In our opinion, except for the effects on the consolidated financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the propriety of the amounts recorded as Governmental Liabilities for Deposit Funds – Foreign and Domestic, and Intragovernmental Liabilities for Deposit Funds and Suspense Accounts in the Balance Sheet, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Financial Management Service as of September 30, 1999 and its net cost, changes in net position, budgetary resources, reconciliation of net cost to budgetary obligations, and custodial activity for the year then ended, in conformity with generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our reports dated January 21, 2000 on our consideration of FMS' internal control over financial reporting and our tests of FMS' compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information presented in Schedules 7 through 11 is provided for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary obligations, of FMS' Salaries and Expense Fund and Treasury Managed Accounts individually. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, except for the effects on the consolidating information of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the propriety of the amounts recorded as Governmental Liabilities for Deposit Funds – Foreign and Domestic, and Intragovernmental Liabilities for Deposit Funds and Suspense Accounts in the Treasury Managed Accounts Balance Sheet, as discussed in the third preceding paragraph, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Additionally, the information presented in the *Management Discussion and Analysis* and the required supplementary information in Schedules 4 through 6a, is not a required part of the consolidated financial statements, but is supplementary information required by OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. Regarding the information presented in the *Management Discussion and Analysis* section, we have considered whether this information is materially inconsistent with the consolidated financial statements. Regarding the required supplementary information in Schedules 4 through 6a, we have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information presented in the *Management Discussion and Analysis* and required supplementary information in Schedules 4 through 6a and, accordingly, we express no opinion on it. The performance information included in the *Management Discussion and Analysis* section is addressed in our auditors' report on internal control over financial reporting in accordance with OMB Bulletin No. 98-08, as amended.

KPMG LLP

January 21, 2000



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Internal Control over Financial Reporting

To the U.S. Department of the Treasury Office of Inspector General and
The Commissioner of the Financial Management Service:

We have audited the consolidated financial statements of the U.S. Department of the Treasury's Financial Management Service (FMS) as of and for the year ended September 30, 1999, and have issued our report thereon dated January 21, 2000. Our report was qualified because we were unable to satisfy ourselves as to the amounts recorded as Governmental Liabilities for Deposit Funds – Foreign and Domestic, and Intragovernmental Liabilities for Deposit Funds and Suspense Accounts in the Balance Sheet. Except as discussed in our report dated January 21, 2000, we conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

FMS management is responsible for establishing and maintaining internal controls over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that:

- (1) Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and certain other laws, regulations, and government-wide policies identified by the OMB as applicable to FMS;
- (2) Assets are safeguarded against loss from unauthorized acquisition, use, or disposition;
- (3) Transactions are properly recorded, processed, and summarized to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles; and
- (4) Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit preparation of performance information in accordance with criteria stated by management.



Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered FMS internal control over financial reporting by obtaining an understanding of FMS' internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 98-08, as amended. We did not test all internal controls relevant to operating objectives broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion on internal controls.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions, under standards issued by the American Institute of Certified Public Accountants and, accordingly, would not necessarily disclose all reportable conditions that are material weaknesses. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect FMS' ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We have noted certain matters, described in Exhibit I, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. We believe that all of these reportable conditions are material weaknesses. FMS's response with respect to the matters described in Exhibit I, is presented as Exhibit II. Exhibit III discusses the status of prior year material weaknesses and other reportable conditions reported in the prior year. These conditions were considered in determining the nature, timing, and extent of audit procedures to be performed in our audit of FMS' fiscal year 1999 consolidated financial statements.

With respect to internal controls related to performance measures determined by management to be key and reported in *Management Discussion and Analysis*, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin 98-08, as amended. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide assurance on such controls.

We also noted other matters involving internal controls and their operation that we have reported to the management of FMS in a separate letter dated January 21, 2000.

This report is intended solely for the information and use of FMS management, the U.S. Department of the Treasury Office of the Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 21, 2000

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE**

Material Weaknesses in Internal Control over Financial Reporting

1. Lack of Documentation Supporting Liabilities for Deposit Funds and Suspense Accounts

The Financial Management Service (FMS) provides accounting and financial reporting for a significant number of suspense accounts and deposit funds that are used by other Treasury bureaus, as well as agencies across the Federal government. During our audit, we determined that adequate documentation to support the amounts recorded for these liability balances is not always maintained by FMS. The majority of the suspense account balances without support resulted from transactions that took place prior to 1998; however, adequate evidence is not available to resolve the disposition of outstanding balances. Certain deposit fund accounts were not supported by detailed subsidiary records to show outstanding balances by specific entities that had originated the deposits. Twenty-two of 37 suspense and deposit fund liability accounts were not supported by adequate documentation. The total gross value dollar amount of unsupported balances at September 30, 1999, was \$280 million. Subsequent to year end, management was able to compile detail of approximately \$100 million representing activity which had occurred in these liability accounts over the last 60 months. However, complete detail for these accounts was not available.

Further, internal control over FMS stewardship responsibilities for deposit funds are also weak. For instance, adequate controls are not in place to monitor the propriety of deposit fund activity on a transaction basis. Procedures are not performed to determine whether an entity withdrew more funds than it originally deposited into these accounts. In fact, certain accounts had negative cash balances at September 30, 1999, which may indicate possible instances of unauthorized borrowings from the General Fund of the U.S. Treasury. At September 30, these negative balances totaled \$5.7 million. As of the date of this report, this balance had been reduced to approximately \$1.2 million.

Finally, considering the length of time the deposit funds holding unclaimed moneys (e.g., 20X6133, *Payment of Unclaimed Moneys*, and 20X6045, *Proceeds and Payments of Unpaid Checks*) have been maintained by FMS, it is questionable as to whether the rightful owners will ever be identified. No policies or procedures are in place to address the practical disposition of these funds.

Recommendations

We recommend FMS:

- Perform a comprehensive review of the liability for deposit fund and suspense account balances, and develop detailed subsidiary ledgers, that agree to the general ledger control accounts, for those accounts that can be supported by underlying documentation. Assign a specific financial manager the responsibility for monitoring and periodically reconciling the subsidiary ledgers to the general ledger.
- Obtain appropriate authorization (e.g., from the Office of Management and Budget) to write off suspense account balances for which no supporting documentation exists.
- Develop procedures to confirm outstanding balances of deposit funds with entities that made the initial deposits. Investigate and resolve any differences reported. Modify the procedures currently included in the Treasury Financial Manual to incorporate any new procedures developed.
- Consider the feasibility of transferring outstanding deposit fund balances with no activity after a reasonable period of time to the General Fund in order to make these funds available for re-

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE**

Material Weaknesses in Internal Control over Financial Reporting

appropriation. Such action may require legislative approval and should include provisions for payment of such transferred funds to their rightful owner if/when subsequently identified.

2. *Financial Management and Reporting Policies and Procedures*

Fiscal year 1999 was the first full year of FMS' implementation of new accounting systems at the Liberty Center and Hyattsville locations. Implementation of these systems and the related changes in manual procedures resulted in a variety of financial reporting problems.

The Liberty Center location implemented the Federal Financial System (FFS) during fiscal year 1998. During fiscal year 1999, the FFS system platform was transferred through a cross-servicing agreement to the Bureau of the Public Debt (BPD). In addition, during fiscal year 1999, the administrative accounting functions, including travel management, were transferred to BPD through another cross-servicing agreement. BPD maintains FFS and provides accounting services for various federal entities, including FMS. FMS made a number of changes in the infrastructure supporting its financial management and reporting processes as a result of the conversion to FFS and transfer of general ledger maintenance responsibility to BPD. Changes which occurred as a result of implementing the new system included certain turnover of personnel, as well as reassignment of certain responsibilities.

The Hyattsville location implemented an accounting system called GLOWS during fiscal year 1999. GLOWS implementation and its maintenance are responsibilities of FMS-Hyattsville. Even though GLOWS is an improvement over FMS' previous systems' architecture of non-integrated systems and numerous manual procedures, much remains to be done to maximize the use of GLOWS and its capabilities. Maximizing the use of GLOWS will reduce the number of existing manual processes which are not only labor intensive, but increase the risk of errors.

We noted that effective processes for preparing financial statements and analyzing financial data available from the new systems do not appear to be in place. As a result, a number of financial reporting issues were identified during our audit as follows:

- Prior to the posting of identified audit adjustments, accounts payable at year-end were understated in the aggregate by \$23.2 million due to poor cut-off procedures in the Judgment Fund, Foreign Claims funds, and Salaries and Expense Fund;
- An aging analysis of accounts receivable was not performed to determine whether reserves needed to be established, to present accounts receivable at net realizable value, resulting in audit adjustments aggregating \$65.1 million;
- Financial activity in the Check Forgery Insurance Fund, and Refunds Due from the General Fund were initially understated in the aggregate by \$70.8 million;
- Unusual financial statement relationships, such as an overstatement of approximately \$25 million in the ending balance of cumulative results of operations compared to the expected balances as a result of net changes in balance sheet accounts which comprise this component of net position, were not identified and resolved on a timely basis;

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE**

Material Weaknesses in Internal Control over Financial Reporting

- Inadequate review of financial statements and related footnote disclosures failed to detect errors and omissions;
- Adequate explanations for fluctuations in account balances could not be readily provided; and
- Problems in the reconciliation of three of the largest Treasury Managed Accounts (20X1741, 20X1742, and 20X1743) went unresolved until the year-end closing, requiring significant effort to resolve and delay in the financial reporting process.

Additionally, the financial statements were prepared and submitted to KPMG and the Department of Treasury, without the benefit of a formal review process. As a result, numerous discrepancies, some of which were material, were noted, resulting in a revised submission to Treasury, and extensive revisions to the stand-alone principal financial statements and related footnotes.

Finally, our review of the process used by FMS to monitor the individual agency balances and the collectibility of the accounts receivable arising from settlements under the Contract Disputes Act revealed weaknesses that require management attention. FMS makes payments to contractors for settlements made under the Contract Disputes Act on behalf of other Federal agencies. These agencies are required by law to reimburse the Judgment Fund for payments made on their behalf. Although FMS estimates that settlements exceeding \$100 million have been paid each year, the financial statements only include accounts receivable for payments made on behalf of other agencies during 1998 and 1999. Outstanding balances for payments made by FMS in prior years are, in effect, considered fully reserved due to uncollectibility. Problems noted during our audit are as follows:

- Misclassifications of vouchers of approximately \$85 million were identified within the subsidiary ledgers by agency, and corrected;
- The detail for accounts receivable balances by agency is only maintained at the Federal department level, versus the bureau level;
- Contact information for billing purposes was only available for 2 of 18 agencies; and
- A process is not in place to determine an allowance for uncollectible accounts and thus record these receivables at their net realizable value in the financial statements.

Recommendations

We recommend FMS:

- Perform a comprehensive review of policies and procedures related to accounting and financial reporting under the new accounting system to determine where changes or improvements should be made. Incorporate these revisions in the Treasury Financial Manual as appropriate. At a minimum, we suggest the following matters be included in the review:
 - Accounts payable – establish procedures to ensure liabilities for all goods and services received before year-end are properly accrued;
 - Accounts receivable – develop a process for periodically aging accounts receivable and determining the need for an allowance for uncollectible accounts;

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE**

Material Weaknesses in Internal Control over Financial Reporting

- Maintenance of appropriate documentation – clarify guidance for maintenance of supporting documentation for all accounting and financial reporting transactions, including record retention policies;
- Continue to explore additional process improvements which could be made to maximize the use of GLOWS capabilities and reduce labor intensive manual procedures;
- Analyze financial statement relationships for propriety;
- Perform periodic analyses of selected general ledger accounts to identify unusual activity for subsequent investigation and resolution;
- Establish a formal policy for review and approval of all financial reports prior to issuance;
- Provide all financial managers and senior accountants with appropriate training to ensure they are knowledgeable of current financial accounting and reporting requirements applicable to federal entities; and
- Improve the Contract Disputes Act accounting and monitoring processes as follows:
 - Institute a review process to ensure that vouchers for individual agencies are recorded in the proper subsidiary records;
 - Obtain sufficient information from settlement records or by other means to facilitate maintenance of accounts receivable records in enough detail (at the bureau level and with the relevant contact information) to permit improved tracking, billing and collection of these accounts;
 - Establish a process for periodic aging of accounts receivable and related analysis to determine the need for an allowance for uncollectible accounts so that the accounts are reported in the financial statements at their true net realizable value, including those accounts with balances which originated prior to 1998; and
 - Include relevant guidance in the Treasury Financial Manual regarding the Contract Disputes Act payment and reimbursement processes.

3. Property and Equipment

During fiscal year 1999, FMS took steps to improve property accountability and the related financial accounting and reporting. For example, monthly reconciliations between MACAMS and the general ledger are now performed with monthly recording of additions and deletions. This has reduced the general ledger and MACAMS unreconciled difference to \$806,000, as opposed to the \$2,000,000 difference reported at the end of fiscal year 1998. In addition, FMS has established better control over depreciation calculations by ensuring that the Excel spreadsheet used to calculate depreciation expense and accumulated depreciation agrees with the equipment listing contained in MACAMS. Finally, a policy to perform an annual physical inventory of all property and equipment owned by FMS has been put in place.

While these actions have resulted in improvements, we believe, in light of the remaining issues noted below, that more should be done to ensure that accountability for property and equipment is adequately

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE**

Material Weaknesses in Internal Control over Financial Reporting

maintained, and that the amounts reported in the financial statements are materially correct and adequately supported by underlying documentation.

- The detailed property tracking system, MACAMS, is not integrated with the general ledger (FFS). In addition, MACAMS does not properly calculate depreciation and therefore the use of a subsidiary Microsoft Excel spreadsheet application is required;
- The manually prepared depreciation schedules did not agree with the detailed property tracking system by \$505,000;
- Accountability by Property Custodians is not consistently and accurately tracked in MACAMS;
- Similar assets may be depreciated using different useful lives;
- There is inadequate security controls over access to MACAMS;
- There is inadequate internal controls in place to provide reasonable assurance that capital and operating leases are identified and properly recorded and/or disclosed in the financial statements, and that expired leases are properly removed from schedules supporting the financial statement disclosures;
- There were 20 capitalized items (totaling \$3.1 million) that were listed in MACAMS as of September 30, 1999, but had previously been removed from service (excessed).

Recommendations

We recommend FMS:

- Continue to investigate options for obtaining a new detailed property tracking system that can be integrated with the general ledger, and will properly calculate depreciation. The system should also include provisions for improved access control. This would eliminate the difference between the general ledger and detailed system, as well as the need for manual entry and calculation of depreciation. Also, the risk of unauthorized access would be mitigated.
- Develop and implement formal policies and procedures for identification and proper recording of all capital and operating leases.
- Re-emphasize the importance of adhering to established procedures for recording the results of the annual property and equipment physical inventory, and monitoring activity throughout the year. At a minimum, FMS needs to ensure that all property is assigned to a custodian, that these custodians are accurately designated in the MACAMS system, and that all custodians are held responsible for determining property under their control exists and is being used in FMS operations, and for reporting all disposals and transfers (both in and out of their control).



DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
WASHINGTON, D.C. 20227

February 3, 2000

Karyn L. Molnar, Partner:
KPMG, LLP
2001 M Street, NW
Washington, DC 20036

Dear Ms. Molnar:

This is in response to your reports to the Department of the Treasury Office of Inspector General and the Commissioner of the Financial Management Service on our fiscal year 1999 financial statements.

We would like to express our appreciation for all of the effort that you and your staff expended to audit the FMS fiscal year 1999 financial statements. We were all operating under extremely tight deadlines, so this effort was quite an accomplishment.

You identified three material weaknesses in your audit: Lack of Documentation Supporting Liabilities for Deposit Funds and Suspense Accounts; Financial Management and Reporting Policies and Procedures; and, Property and Equipment. Overall, we agree in principle with the findings in your audit reports. My office, along with the Comptroller and Deputy Chief Financial Officer and the AC for Financial Operations, will review and monitor the planned corrective actions to help ensure that these weaknesses are eliminated.

FMS has many successful financial management accomplishments to note for fiscal year 1999. Unfortunately, they are overshadowed by the qualified opinion rendered. As you know, we are developing action plans to obtain more favorable results for fiscal year 2000.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott H. Johnson", is written over a horizontal line.

Scott H. Johnson

Assistant Commissioner Management (CFO)

**DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE**

**Status of Prior Year Material Weaknesses and Reportable Conditions
Identified in Internal Control over Financial Reporting**

<i>FY98 Finding</i>	<i>Type</i>	<i>FY99 Status</i>
Strengthen Controls over Property Management	Material Weakness	Open – See material weakness No. 3 in Exhibit I of this report.
Reconciliation of Fund Balance with Treasury to the Federal Financial System Balances not Accurately Performed or Adequately Documented	Material Weaknesses	Closed as a material weakness. Improvements made resulted in classifying this as a management letter comment this year.
Reconciliation of Fund Balance with Treasury to Miscellaneous Account General Ledger Balances are not Accurately Performed or Adequately Documented	Material Weaknesses	Closed as a material weakness. Improvements made resulted in classifying this as a management letter comment this year.
Financial Management is Hampered by Inadequate Information and Planning	Reportable Condition	Open and upgraded to a material weakness. See material weakness No. 2 in Exhibit I of this report.
Reconciliation of Claims, Judgments and Relief Act Payments are not Performed	Reportable Condition	Closed as a reportable condition related to specific matters included in prior year finding. However, additional Judgment Fund weaknesses were cited and included in material weakness No. 2 in Exhibit I of this report.
Access Controls over FMS' Federal Financial System (FFS) are not Adequate in Providing Effective Security to Prevent and Detect Unauthorized or Inappropriate Access	Reportable Condition	Closed. Improvements made resulted in closing this reportable condition.
FMS does not have a Comprehensive Business Continuity Plan for Recovery of its Primary Systems Environment, Critical Data Processing, or Key Business Processes	Reportable Condition	Closed as a reportable condition. Improvements made resulted in classifying this as a management letter comment this year.



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Compliance with Laws and Regulations

To the U.S. Department of the Treasury Office of Inspector General and
The Commissioner of the Financial Management Service:

We have audited the consolidated financial statements of the U.S. Department of the Treasury's Financial Management Service (FMS) as of and for the year ended September 30, 1999, and have issued our report thereon dated January 21, 2000. Our report was qualified because we were unable to satisfy ourselves as to the propriety of the amounts recorded as Governmental Liabilities for Deposit Funds – Foreign and Domestic, and Intragovernmental Liabilities for Deposit Funds and Suspense Accounts in the Balance Sheet. Except as discussed in our report dated January 21, 2000, we conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

The management of FMS is responsible for complying with laws and regulations applicable to FMS. As part of obtaining reasonable assurance about whether FMS' consolidated financial statements are free of material misstatement, we performed tests of FMS' compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 98-08, as amended, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to FMS. Additionally, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 98-08, as amended.

Under FFMIA, we are required to report whether the FMS' financial management systems substantially comply with (1) Federal financial management systems requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin 98-08, as amended.

The results of our tests disclosed two instances in which FMS' financial management systems did not substantially comply with the requirements discussed in the preceding paragraph.



Computer Access Controls

Access to the detailed property tracking system, MACAMS, does not require unique or individual user IDs. The user IDs are assigned according to the user's office and are shared by everyone in that location. In addition, all users with the same ID share the same password. MACAMS possesses the capability to require unique or individual user IDs; however, this capability was not utilized throughout fiscal year 1999. Management is currently activating these capabilities.

FMS is currently considering replacing the MACAMS system. If a new system is acquired, Management should ensure that it has the capability of allowing different levels of access and that those features are utilized. Access, both granted and denied, should be monitored to ensure only those who are authorized for access are granted access and only to specified levels.

System Integration

The following systems are not integrated:

- Federal Financial System (FFS) – This system is the general ledger and related modules for the Salaries and Expense accounts; and
- MACAMS – This system tracks all property owned by FMS.

The lack of integration creates the unnecessary requirement of manual entry. Whenever manual entry is involved, there is an increased risk of error or inconsistency as well as inefficiency due to the need for additional entry and reconciliation.

As noted above, FMS is currently considering replacing the MACAMS system. We recommend the new system to be acquired include a feature to facilitate its integration with FFS. We also recommend the implementation of the new system be completed, if feasible, by September 30, 2000.

* * * * *

This report is intended solely for the information and use of FMS' management, the U.S. Department of the Treasury Office of the Inspector General, OMB and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

January 21, 2000

Principal Financial Statements

Financial Management Service
CONSOLIDATED BALANCE SHEET
As of September 30, 1999
(In thousands)

ASSETS:

Entity Assets:

Intragovernmental Assets:

Fund Balances with U. S. Treasury (Note 2)	\$ 149,680
Accounts Receivable (Note 4)	15,414
Advances and Prepayments	3,232

Governmental Assets:

Accounts Receivable	353
Advances and Prepayments	21
Inventories of Materials Held for Sale	1,898
Operating Materials and Supplies	577
Property and Equipment, Net (Note 3)	27,713

Total Entity Assets	<u>198,888</u>
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Non-Entity Assets:

Intragovernmental Assets:

Fund Balances with U. S. Treasury (Note 2)	784,979
Accounts Receivable, Net (Note 4)	737,838

Governmental Assets:

Investment in Government Securities - Deposit and Trust Funds, Net (Note 5)	14,729
Interest Receivable from Investments - Deposit and Trust Funds	135
Receivable on Deposit of Earnings, Federal Reserve System	498,732
Accounts Receivable, Net (Note 4)	18,042
Foreign Currency	27,662

Total Non-Entity Assets	<u>2,082,117</u>
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TOTAL ASSETS	\$ <u>2,281,005</u>
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(Continued)

The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED BALANCE SHEET, Continued
As of September 30, 1999
(In thousands)

LIABILITIES:

Liabilities Covered by Budgetary Resources:

Intragovernmental Liabilities:

Due to the General Fund and Others (Note 15)	\$ 1,599,558
Liability for Deposit Funds and Suspense Accounts	45,503
Accounts Payable (Note 8)	58,245
Advances from Others	859
Other Accrued Liabilities	449
Accrued Payroll Benefits	1,167

Governmental Liabilities:

Liability for Deposit Funds - Foreign and Domestic	275,255
Accounts Payable (Note 8)	112,452
Accrued Payroll	5,695
Obligations Under Capital Lease (Note 6)	623
Other Accrued Liabilities	35,124

Total Liabilities Covered by Budgetary Resources	<u>2,134,930</u>
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Liabilities not Covered by Budgetary Resources

Intragovernmental Liabilities:

Accrued Workers' Compensation (Note 7)	921
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Governmental Liabilities:

Accrued Actuarial Liability for Workers Compensation (Note 7)	4,540
Accrued Annual Leave	9,940

Total Liabilities not Covered by Budgetary Resources	<u>15,401</u>
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Total Liabilities	<u>2,150,331</u>
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CONTINGENCIES (Notes 6 and 9)

NET POSITION (Note 10)

Unexpended Appropriations	115,824
Cumulative Results of Operations	14,850

Total Net Position	<u>130,674</u>
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TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,281,005</u>
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The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED STATEMENT OF NET COST
For the year ended September 30, 1999
(In thousands)

ENTITY COSTS:

Payments:

Intragovernmental	\$ 62,976
With the Public	109,816
Total Program Costs	<u>172,792</u>
Less Earned Revenues	<u>(100,814)</u>
Net Cost for Payments	<u>71,978</u>

Collections:

Intragovernmental	32,130
With the Public	119,831
Total Program Costs	<u>151,961</u>
Less Earned Revenues	<u>(1,598)</u>
Net Cost for Collections	<u>150,363</u>

**Governmentwide Accounting
and Reporting:**

Intragovernmental	24,420
With the Public	43,000
Total Program Costs	<u>67,420</u>
Less Earned Revenues	<u>(660)</u>
Net Cost for Governmentwide Accounting and Reporting	<u>66,760</u>

Debt Management Services:

Intragovernmental	8,996
With the Public	16,649
Total Program Costs	<u>25,645</u>
Less Earned Revenues	<u>(449)</u>
Net Cost for Debt Management Services	<u>25,196</u>

Net Cost for Entity Operations	314,297
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NON-ENTITY COSTS:

Payments on Behalf of Other Federal Agencies made through Treasury Managed Accounts (Note 12)	<u>10,056,556</u>
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NET COST OF OPERATIONS	<u>\$ 10,370,853</u>
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The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 1999
(In thousands)

NET COST OF OPERATIONS	\$ 10,370,853
Financing Sources (other than exchange revenues):	
Appropriations Used	10,325,085
Collections for Treasury Managed Accounts	32,141
Imputed Financing (Note 11)	10,128
Total Financing Sources	<u>10,367,354</u>
Net Change in Cumulative Results of Operations	(3,499)
Increase in Unexpended Appropriations	<u>56,133</u>
Change in Net Position	52,634
Net Position-Beginning of Period	<u>78,040</u>
Net Position-End of Period	\$ <u><u>130,674</u></u>

The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
For the year ended September 30, 1999
(In thousands)

Budgetary Resources:

Budget authority	\$ 10,298,763
Unobligated balances-beginning of period	398,819
Spending authority from offsetting collections	991,386
Adjustments	39,933
Total budgetary resources	<u>\$ 11,728,901</u>

Status of Budgetary Resources:

Obligations incurred	\$ 10,525,173
Unobligated balances-available	386,289
Unobligated balances-not available	817,439
Total, status of budgetary resources	<u>\$ 11,728,901</u>

Outlays:

Obligations incurred	\$ 10,525,173
Less: spending authority from offsetting collections and adjustments	(1,022,322)
Obligated balance, net-beginning of period	151,519
Adjustments due to new non-entity budgetary accounts (Note 13)	(138,379)
Obligated balance, net-end of period	610,665
Total outlays	<u>\$ 10,126,656</u>

The accompanying notes are an integral part of these statements.

Financial Management Service
CONSOLIDATED STATEMENT OF FINANCING
For the year ended September 30, 1999
(In thousands)

Obligations and Nonbudgetary Resources

Obligations Incurred	\$ 10,525,173
Less: Spending authority for offsetting collections and adjustments	(1,022,322)
Financing imputed for cost subsidies (Note 11)	10,128
Treasury Managed Account activity	<u>(18,446)</u>
Total obligations as adjusted, and non budgetary resources	9,494,533

Resources That Do Not Fund Net Cost of Operations

Change in amount of goods, services, and benefits ordered but not yet received or provided	(9,595)
Costs capitalized on the balance sheet	(6,130)
Treasury Managed Accounts activity	<u>813,183</u>
Total resources that do not fund net cost of operations	797,458

Costs That Do Not Require Resources

Depreciation and amortization	8,350
Revaluation of assets and liabilities	482
Treasury Managed Account activity	63,955
Other	<u>4,938</u>
Total costs that do not require resources	77,725

Change in Financing Sources Yet to be Provided	<u>1,137</u>
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Net Cost of Operations	<u><u>\$ 10,370,853</u></u>
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The accompanying notes are an integral part of these statements.

Financial Management Service
STATEMENT OF CUSTODIAL ACTIVITY
For the year ended September 30, 1999
(In thousands)

Revenue Activity:

Sources of Collections:

Deposit of Earnings, Federal Reserve System	\$ 25,916,590
Interest Revenue	1,003,462
Other Revenue	81,590
Penalties and Fines Revenue	892
Total Cash Collections (Note 14)	<u>27,002,534</u>

Accrual Adjustment	<u>(614,509)</u>
Total Custodial Revenue	<u>26,388,025</u>

Disposition of Collections:

Amounts Transferred to the Treasury General Fund (Note 14)	27,002,534
Accrual Adjustment	<u>(614,509)</u>
Total Disposition of Revenue	<u>26,388,025</u>

Net Custodial Activity	\$ <u><u>-</u></u>
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The accompanying notes are an integral part of these statements.

Financial Management Service
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 1999
(In thousands of dollars)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Financial Management Service (FMS), pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, the Statement of Financing, and the Statement of Custodial Activity have been prepared from the books and reports of FMS in accordance with Office of Management and Budget (OMB) Bulletin No. 97-01, Form and Content of Agency Financial Statements, as amended. OMB does not require the presentation of comparative information for the fiscal year 1999 statements.

Reporting Entity

FMS is a bureau of the U. S. Department of the Treasury. FMS' mission is to improve the quality of government financial management. FMS' commitment and responsibility is to help its customers achieve success. FMS does this by linking program and financial management objectives and by providing financial services, information, advice, and assistance to its customers. FMS serves taxpayers, the U. S. Department Treasury Department, federal program agencies, and government policy makers.

Entity accounts, are accounts that FMS has authority to use in its operations. The authority to use funds in an entity's operations means that entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations. These financial statements include the activity of 12 entity account symbols detailed in Schedule 1.

Non-entity accounts, generally referred to as Treasury Managed Accounts, are those accounts that FMS holds but are not available to FMS in its operations. For example, FMS accounts for certain cash that the Federal Government collects and holds on behalf of the U. S. Government or other entities. These financial statements include the activity of 114 non-entity account symbols, detailed in Schedule 2.

Budgets and Budgetary Accounting

The primary source of entity funding for FMS is the annual salaries and expense appropriation from Congress. Funds in the salaries and expense appropriation account are available for obligation to cover salaries and operating expenses during the fiscal year for which they were provided. There are also several entity "multi-year" Salaries and Expense appropriations for FMS. A portion of FMS' salaries and expense appropriation is designated as "no-year funds"

which are available until expended by FMS for systems modernization. For the fiscal year ended September 30, 1999, FMS received appropriations of \$196,490 for salaries and expenses and \$13,235 that are available until expended for systems modernization.

One account, a permanent, indefinite appropriation is received that is not subject to budgetary ceilings established by Congress. This appropriation is used to reimburse the Federal Reserve Board for the fiscal services they perform on behalf of the U. S. Department of the Treasury.

Some non-entity accounts receive appropriations from specific federal programs. The non-entity permanent, indefinite appropriations are not subject to budgetary ceilings established by Congress. These appropriations are used for payments to Federal program agencies and others. Schedule 3 identifies the non-entity permanent, indefinite appropriations administered by FMS.

Basis of Accounting

The standards used in the preparation of the accompanying financial statements are issued by the OMB pursuant to recommendations of the Federal Accounting Standards Advisory Board (FASAB). On October 19, 1999, the governing Council of the American Institute of Certified Public Accountants (AICPA) amended the AICPA's Code of Professional Conduct to designate FASAB as the body authorized to establish generally accepted accounting principles for federal government entities. Accordingly, the accompanying financial statements are prepared in accordance with generally accepted accounting principles. Prior to the AICPA Council's action, the AICPA considered federal accounting standards as representing a comprehensive basis of accounting other than generally accepted accounting principles.

The statements are different, from the financial reports, prepared by FMS pursuant to OMB directives that are used to monitor and control FMS' use of budgetary resources.

FMS records accounting transactions on both the accrual and budgetary basis of accounting. Under the accrual method, revenue is recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Fund Balances with U.S. Treasury

FMS does not maintain cash in commercial bank accounts. The U.S. Treasury processes receipts and disbursements. The funds with the U.S. Treasury are primarily appropriated funds that are available to pay current liabilities and to finance authorized purchases.

Foreign Currency

FMS accounts for certain foreign currency maintained by other federal agencies. These currencies are deposited in foreign financial institutions and are maintained in local currency units. FMS records these amounts at the dollar equivalent that U.S. disbursing officers could acquire these currencies from commercial sources. These exchange rates are calculated by relevant U.S. embassies and compiled by FMS. Foreign currency use may be restricted, depending upon how the foreign currency was required.

U.S. disbursing officers are authorized to use certain currencies held for other than their intended purposes, as an alternative to purchasing the currencies, for other more immediate needs, as long as the currencies are replaced as needed. FMS reserves in "Fund Balances with the U.S. Treasury" the dollar equivalent of such currencies at the time they are used. The difference between the dollar amount reserved and the fair market value of unreplaced foreign currencies is recorded as a gain or loss on exchange.

Accounts Receivable

Accounts receivable are comprised of Intragovernmental and Governmental accounts. Over 90% of these amounts are Intragovernmental (i.e., due from other federal agencies) and are considered collectible. FMS records a small allowance for uncollectible accounts based on individual account analysis.

Advances and Prepayments

Advances and prepayments consists almost entirely of funds advanced to the Working Capital Fund at the Department of the Treasury, which is primarily used to fund the telephone system.

Investments in Government Securities

FMS is authorized to invest certain deposit and trust funds in federal government securities in accordance with various legislation. The investments are reported at their acquisition cost net of unamortized premium or discount. Premium and discount amortization is recognized as an adjustment to interest income utilizing the effective interest method. The fair market value of these bills are calculated using the mean rate between the bid and ask rate for the bills on September 30, 1999.

Receivable on Deposit of Earnings, Federal Reserve System

The Board of Governors, under authority of Section 16 of the Federal Reserve Act, pays interest on Treasury moneys deposited in Federal Reserve Banks. The payment is made each Wednesday or on the next business day if Wednesday is a holiday. The amount of the interest payment is equal to undistributed net earnings for the previous Wednesday. The Receivable on Deposit of Earnings represents the accrued interest due Treasury as of September 30, 1999.

Inventories of Materials

Inventories of materials consists of ADP ribbons, check wrapping systems paper, paper check envelopes and general supplies. FMS values its inventories using the weighted average cost method, which approximates historical cost. FMS uses these items in the manufacturing of government checks.

Operating Materials and Supplies

All operating materials and supplies are categorized as held for use. These materials consist of forms and envelopes, and are expensed when used. Operating materials and supplies are valued at latest acquisition price, which approximates historical cost.

Property and Equipment

The threshold for capitalization of property, equipment and internally developed software is fifty thousand dollars. Depreciation is computed on a straight-line basis over the estimated useful life of either six or ten years.

Due to the General Fund and Others

FMS is responsible for managing various assets on behalf of the federal government, which are classified as non-entity. In accordance with Statement Federal Financial Accounting Standard (SFFAS) #1, the Department reports a liability entitled, "Due to the General Fund and Others" to offset these net non-entity assets. Collections on certain receivables maintained by FMS must be transferred to the General Fund of the U.S. Department of the Treasury. This includes receivables due from the Federal Reserve System.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account reflects current pay rates. Sick leave and other types of nonvested leave are charged to operating costs when they are taken.

Revenues and Other Financing Sources

Appropriations are recognized as a financing source at the time the expenses are incurred. Appropriations expended for property and equipment are recognized as expenses (i.e., depreciation) as assets are consumed in operations. Reimbursable revenues are recognized when earned (i.e., goods have been delivered or services rendered).

Collections for Treasury-Managed Accounts

Collections for Treasury-managed Accounts on the Statement of Changes in Net Position represents payments from the Judgment Fund, a non-entity account, that were covered by collections received, rather than through an appropriation.

Entity Costs

The primary operating costs included on the Statement of Net Cost are for salaries and related benefits, postage costs related to disbursement activities, fees paid to Federal Reserve Banks for processing tax deposits, and space rental.

Undelivered Orders

FMS has obligations remaining at the end of each year for goods and services that have been ordered, but not yet received (undelivered orders). Aggregate undelivered orders for the salary and expense accounts amounted to \$46,306. Undelivered orders amounted to \$26,746 for the Treasury-managed accounts.

Custodial Activity

Custodial revenues are recognized on a cash basis when amounts are deposited into receipt accounts. However, the accrual method of accounting is used to recognize interest earned on trust and deposit funds, and to recognize the premiums and discounts on investments.

Intragovernmental Financial Activities

The financial activities of FMS are affected by, and are dependent upon, those of the U.S. Department of the Treasury and the Federal Government as a whole. Thus, the accompanying financial statements do not reflect the results of all financial decisions and activities applicable to FMS as if it were a stand-alone entity.

Use of Estimates

The preparation of the accompanying financial statements required management to make estimates and assumptions about certain amounts included in the financial statements. Actual results will invariably differ from those estimates.

Tax Status

FMS, as a federal agency, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

NOTE 2. FUND BALANCES WITH THE TREASURY

FMS holds Fund Balance with the U.S. Treasury for both entity (i.e., FMS Salaries and Expense Appropriations) and non-entity (i.e., Treasury-Managed) accounts. Obligated balances are funds against which budgetary obligations have been incurred, but disbursements have not been made. The Unobligated Available balance is the amount of funds available to FMS against which no claims have been recorded.

Fund Balances with Treasury - Entity

Account Type	Obligated	Unobligated Available	Unobligated Unavailable	Total
Appropriated Funds:				
No year	\$ 29,862	\$ 62,795	\$ -	\$ 92,657
Annual and Multi- Year Appropriations	24,566	-	32,457	57,023
Total	<u>\$ 54,428</u>	<u>\$ 62,795</u>	<u>\$ 32,457</u>	<u>\$149,680</u>

The amount of money returned to the Treasury General Fund was \$1,500 in fiscal year 1999.

Fund Balances with Treasury – Non-Entity

The Fund Balance with Treasury for the non-entity accounts are funded through various sources depending on the specific legislative authority and purpose. Non-entity Fund Balance with Treasury may be only used for specific purposes. Such amounts may be in escrow or other special accounts. The non-entity accounts are primarily funded through appropriations, collections, tax receipts, gifts to the Government, and settlements from foreign countries.

Account Type	Obligated	Unobligated Available	Unobligated Restricted	Total
Appropriated Funds	\$ 97,234	\$ 49,310	\$ 49,548	\$196,092
Revolving Funds	-	4,273	-	4,273
Trust Funds	22	23	-	45
Other Fund Types	21,117	221,546	341,906	584,569
Total	<u>\$ 118,373</u>	<u>\$275,152</u>	<u>\$391,454</u>	<u>\$784,979</u>

The non-entity fund balance, unobligated restricted for other fund types, only includes deposit funds and suspense accounts which do not have a budgetary impact. Adjustments made to some appropriated accounts at year-end affected the available fund balance, but did not have a budgetary impact.

NOTE 3. PROPERTY AND EQUIPMENT, NET

FMS owns and leases various equipment, Automated Data Processing (ADP) equipment, and software that are essential to its operations. FMS has adopted a capitalization threshold of \$50 thousand. Information regarding cost, accumulated depreciation, net book value, estimated useful life and method of depreciation are provided in the schedule below.

	Depreciation Method	Service Life	Acquisition Cost	Accumulated Depreciation	Net Book Value
ADP Software	SL	6	\$12,655	\$ 7,937	\$ 4,718
Equipment	SL	6 & 10	66,974	46,303	20,671
Capital Lease-ADP Equip.	SL	6	3,018	694	2,324
Total			<u>\$82,647</u>	<u>\$54,934</u>	<u>\$27,713</u>

ADP equipment and ADP software are depreciated using a service life of 6 years. Copier and other equipment are depreciated using a service life of 10 years. The majority of the reported property represents check printing and check wrapping systems employed by Regional Operations in the disbursing of Government payments and ADP hardware and software used in record keeping.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Entity accounts receivable, intragovernmental amounting to \$15,414, includes amounts Federal agencies owe FMS for services to include issuing Federal payments, check claims processing and use of the Government On Line Accounting Link System (GOALS).

Non-entity accounts receivable, intragovernmental, includes amounts Federal agencies owe to FMS for the payment of water and sewage service to the District of Columbia, and amounts Federal agencies are required to reimburse the Treasury-managed Judgment Fund for settlements paid on their behalf for contract disputes.

<u>Non-entity Accounts Receivable, Intragovernmental</u>	
Claims for contract disputes	\$780,721
Billings for water and sewage	
Services, and other	<u>22,212</u>
Subtotal	802,933
Less: allowance for uncollectible accounts	<u>(65,095)</u>
Accounts Receivable, Intra-governmental, Net	<u>\$737,838</u>

Non-entity accounts receivables Governmental, include the following components:

<u>Non-Entity Accounts Receivable, Governmental</u>	
Interest Payments from States	\$ 9,867
U.S. Treasury Check Forgery Insurance Fund	9,447
Esther Cattell Schmitt Gift Fund	35
Iranian Claims	<u>13</u>
Subtotal	19,362
Less: Allowance for Uncollectible Accounts	<u>(1,320)</u>
Accounts Receivable, Governmental, Net	<u>\$18,042</u>

NOTE 5. INVESTMENT IN GOVERNMENT SECURITIES – DEPOSIT AND TRUST FUNDS

FMS invests certain deposit and trust funds in market-based Treasury bills with interest yields ranging from 4.3% to 4.6%. FMS also invests in market-based bonds with interest yields on these securities ranging from 7.5% to 11.6%. FMS either holds these securities to their maturity or redeems these securities to meet deposit fund disbursement needs.

As of September 30, 1999, investments of deposit and trust funds are as follows:

Trust or Deposit Fund	Cost	Unamortized (Premium)/ Discount	Investments, Net	Market Value
German Settlement Fund	\$ 7,611	\$ (20)	\$ 7,591	\$ 7,591
Albanian Claims Fund	991	(2)	989	989
Holocaust Survivors Fund	1,041	(1)	1,040	1,040
Iranian Claims Settlement Fund	118	(2)	116	116
Vietnam Claims Settlement Fund	218	(3)	215	215
Kennedy Center Revenue Bond Sinking Fund	4,311	125	4,436	4,773
Esther Cattell Schmitt Trust Fund	310	32	342	360
Total	<u>\$14,600</u>	<u>\$129</u>	<u>\$14,729</u>	<u>\$15,084</u>

NOTE 6. LEASES

All FMS capital leases are for ADP equipment. See Note 3 – Property and Equipment for the related service life, acquisition cost, accumulated depreciation and net book value. Each lease is structured into one-year renewable options, which are dependent upon available funding. Therefore, future minimum payments only consist of fiscal year 2000 amounts totaling \$636. Of this amount, \$13 is imputed interest, for a net lease liability of \$623.

All FMS operating leases are for software. The software lease terms for operating leases vary from 3 to 5 years, each with one-year options dependent on available funding. Future minimum payments are as follows:

Fiscal Year	
2000	\$ 5,789
2001	5,570
2002	5,570
2003	2,601
Total Future Lease Payments	<u>\$19,530</u>

FMS leases various buildings from the General Services Administration (GSA). These buildings include the Prince George's Metro Center II, 1990 K Street and the Ardmore Warehouse buildings. Leased facilities for the FMS Regional Financial Centers include Birmingham, Kansas City, Philadelphia and San Francisco buildings. Each of these leases are considered operating leases. Annual payments to GSA for operating leases approximates \$16,600.

NOTE 7. WORKERS COMPENSATION

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to a job-related injury or occupational disease. Claims incurred for benefits to FMS employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by FMS. The future workers' compensation estimates are generated by DOL from an application of actuarial procedures developed to estimate the liability for FECA benefits. This DOL estimated actuarial liability for FECA benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability was determined using the paid losses extrapolation method calculated over a 37 year period. This method utilizes historical benefit payment patterns relating to a specific incurred period to predict the ultimate payments related to that period. Based on information provided by the Department of Labor, the Department of the Treasury determined that the estimated actuarial liability of FMS as of September 30, 1999 was \$4,540. The accrued workers compensation liability at September 30, 1999 also includes outstanding charges from the FECA program of \$921.

NOTE 8. ACCOUNTS PAYABLE

Accounts payable represents amounts owed to other federal agencies or others outside the Federal government. The components of accounts payable at September 30, 1999, are as follows:

<u>Accounts Payable, Intragovernmental, Covered by Budgetary Resources</u>	
Interest on Uninvested Funds – due to various federal agencies	\$21,252
Payable from Debt Management Services	20,667
Payable from the Judgment Funds	16,252
Biomass Energy Development	74
Total Accounts Payable	<u>\$58,245</u>

Interest on Uninvested Funds - This indefinite appropriation account was established for the purpose of paying interest on certain uninvested funds placed in trust in the Treasury in accordance with various statutes. This is a payable to the Immigration and Naturalization Service. The law provides the cash received by the Attorney General as security on an immigration bond shall be deposited in the Treasury of the United States in trust for the obligor on the bond, and shall bear interest at a rate determined by the Secretary of the Treasury, except that in no case shall the interest exceed 3% per annum. Such interest shall accrue from date of deposit, to and including date of withdrawal or breach of bond.

Payable from Debt Management Services - This payable represents reimbursements from the Treasury Offset Program to various Federal agencies, and pending payments for mortgages processed by FMS to various agencies.

Payable from the Judgment Funds - This payable represents amounts to be paid by the Treasury-managed Judgment Fund on behalf of Federal agencies for final judgments and compromise settlements made by the Court of Claims and the U.S. Courts. It also includes amounts to be paid by Treasury for damage claims.

Biomass Energy Development - This is a payable to the Tennessee Valley Authority. This account is used to finance programs that aid commercial production of alcohol and other fuels from crops and crop waste, timber, animal and timber waste, and other forms of biomass and urban waste activities.

Accounts Payable, Governmental, Covered by Budgetary Resources

Refund of Monies Erroneously Received – Harbor Maintenance	\$ 52,676
Relief of Individuals and Others by Private and Public Laws	32,496
Payable from the Judgment Fund for Contract Disputes	15,324
Salaries and Expense Payable	8,895
Federal Interest Liabilities to the States	1,728
United States Treasury Check Forgery Insurance Fund	601
Holocaust Survivors Fund	509
Interest on Uninvested Funds	146
German Democratic Republican Settlement Fund	30
Esther Cattell Schmitt Gift Fund	22
Biomass Energy Development	18
Iranian Claims Settlement Fund	7
Total Accounts Payable	<u>\$112,452</u>

Refund of Monies Erroneously Received and Covered - This is a payable to claimants who were assessed a Harbor Maintenance Fee. This fee was determined to violate the U.S. Constitution, and those who paid the fee are entitled to a refund. (See also Note 9)

Relief of Individuals and Others by Private and Public Laws - This payable represents amounts payable to individuals as a result of Private and Public Laws that have been passed by Congress.

Payable from the Judgment Fund for Contract Disputes - This is a payable to contractors that were awarded a judgment against the U.S. According to the Contract Disputes Act, Treasury pays the contractors promptly and then requests reimbursement to the fund by the agency whose appropriations were used for the contract.

Salaries and Expense Payable - This payable represents amounts FMS owes to vendors for goods or services delivered to FMS.

Federal Interest Liabilities to the States - This amount represents potential liabilities to be paid under the Cash Management Improvement Act to the states.

United States Treasury Check Forgery Insurance Fund - This payable represents claims submitted for settlement checks to replace checks paid over forged endorsements.

Holocaust Survivors Fund - This payable represents amounts due claimants who filed claims against Germany.

Interest on Uninvested Funds - This indefinite appropriation account was established for the purpose of paying interest on certain uninvested funds placed in trust in the Treasury in accordance with various statutes. This is a payable to the Board of Trustees of the National Gallery of Art. The Board of Trustees of the National Gallery of Art has funds in trust amounting to \$5 million. The interest payments are to be used by the Trustees for the protection and care of the works of art in the Gallery and for administrative and operating expenses.

German Democratic Republican Settlement Fund - This payable represents amounts due U.S. nationals who filed claims against the German Democratic Republic for losses that arose from the nationalization, expropriation or other taking by that government of property interests.

Esther Cattell Schmitt Gift Fund - This is a payable to the beneficiaries of Esther Cattell Schmitt's will. FMS administers this trust fund and is responsible for disbursing the earnings to the beneficiaries as well as depositing any earnings in excess to the general fund.

Biomass Energy Development - This is a payable to non-federal corporations. This account is used to finance programs that aid commercial production of alcohol and other fuels from crops and crop waste, timber, animal and timber waste, and other forms of biomass and urban waste activities.

Iranian Claims Settlement Fund - This payable represents amounts due U.S. nationals who filed claims against Iran.

NOTE 9. CONTINGENCIES

There are numerous legal actions pending against the United States in the U.S. Court of Legal Claims where the claims may be based on action taken by FMS. Management intends to vigorously contest all such claims. Management believes, based on information provided by legal counsel, that losses, if any, for the majority of these cases would not have a material impact on the financial statements of FMS. Therefore, no loss accrual has been made for these cases as of September 30, 1999.

As of September 30, 1999 and as of January 21, 2000, FMS is involved with seven legal cases. Based on an evaluation of the likelihood of an unfavorable outcome and an estimate of the potential loss, there are only three cases which could have a material effect on the accompanying financial statements.

1. Pottowatomi Nation v. United States

This case is currently undergoing a finding of fact and conclusion on the amount of damages that the Pottowatomi Nation is entitled to receive. The Departments of Justice, Interior, and State are currently attempting to negotiate a settlement agreement.

2. Cobell, et al. v. Babbitt, et al.

In this case, the plaintiffs have not made claims for specific dollar amounts. However, their claims are complex, and if an unfavorable decision against FMS is rendered, a material loss could be incurred.

3. Casa de Cambio Comdiv S.A. de C.V. v. U.S.A.

In this case the plaintiff alleges that FMS' violated FMS' regulations and the Fifth Amendment of the Constitution. The plaintiff is seeking a minimum of \$7.8 million in damages.

No provisions have been made in the accompanying financial statements related to these cases because management and legal counsel are unable to determine the ultimate amounts likely to be paid. However, any judgments and settlements of two thousand dollars or greater, resulting from litigation and claims against the United States Government are satisfied from funds managed by FMS on behalf of the United States Government.

Refund of Harbor Maintenance Fees – Prior to 1995, the Federal government assessed and collected a Harbor Maintenance Fee which was used for the maintenance of U.S. harbors. In October 1995, the U.S. Court of International Trade decided the assessment of a Harbor Maintenance Fee on exports violates the United States Constitution. Harbor Maintenance Fee refunds are available to claimants whose claims are reviewed and approved by the Court of International Trade. Refunds began being issued during fiscal year 1999 from 20X1807, a Treasury-managed non-entity account. Total refunds issued during fiscal year 1999 totaled \$696 million. Accounts payable at September 30, 1999, include unpaid claims received and/or approved by the Court of International Trade totaling \$52.7 million. Remaining fees collected and available for refund, subject to the receipt of a valid claim approved by the U.S. Court of

International Trade, totaled \$332.3 million at September 30, 1999. As no claims have yet to be submitted against the \$332.3 million, no accrual for this amount has been recorded in FMS' financial statements at September 30, 1999.

Contract Disputes Act - FMS has determined that an unasserted claim will be filed under the Contract Disputes Act for breach of a contract for software development. As of January 21, 2000, the amount of possible loss or range of loss cannot be determined.

NOTE 10. NET POSITION

Net Position at September 30, 1999 is comprised of the following:

	Direct <u>Funding</u>	Reimbursable <u>Funding</u>	<u>Total</u>
Unexpended Appropriations:			
Unobligated – Available	\$61,229	\$1,566	\$62,795
Unobligated – Unavailable	20,535	11,922	32,457
Obligations/Undelivered Orders	20,572	25,734	46,306
Less: Obligations/UDO from Reimb. Funding			<u>(25,734)</u>
Total Unexpended Appropriation			115,824
Cumulative Results of Operations			<u>14,850</u>
Total			<u>\$130,674</u>

The amounts shown as unexpended appropriations represent only those amounts related to entity accounts, as discussed in note 1. Unexpended appropriations related to non-entity accounts are included in the accompanying balance sheet with the related liabilities since the activity in these accounts do not result in net position balances.

NOTE 11. PENSION COSTS, OTHER RETIREMENT BENEFITS, AND OTHER POSTEMPLOYMENT BENEFITS

Most FMS employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS) to which FMS employers contribute 8.51% and employees contribute 7.25% of basic pay. The estimated cost of providing a CSRS benefit, which is 24.2% as determined by the Office of Personnel Management (OPM), is more than the amounts contributed by FMS and its employees. Federal entities are required to report the full cost of providing pension benefits to include the cost financed by OPM. The additional pension expense totaling \$4.4 million is included as an expense and as an imputed financing source in FMS' financial statements for FY 1999.

Employees hired after December 31, 1983 are automatically covered by the Federal Employee's Retirement System (FERS) and Social Security. A primary feature of FERS is that it offers a savings plan to which FMS automatically contributes 1% of basic pay and matches employee contributions up to an additional 4% of basic pay. For most employees hired after December 31,

1983, FMS also contributes the employer's matching share for Social Security. For the FERS basic benefit, employees contribute 1.05% of their basic pay and FMS contributes 10.7% of basic pay. The cost of providing a FERS basic benefit, as determined by OPM, is equal to the amounts contributed by FMS and the employees. Therefore, FERS is fully funded. FMS does not report CSRS assets, FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to retirement plans because the accounting and reporting of such amounts is the responsibility of OPM. FMS' total pension expense for FY 1999 was \$10.1 million.

Similar to Federal retirement plans, OPM, rather than FMS, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) Program. FMS is required to report the full cost of providing other retirement benefits (ORB). Currently FMS does not recognize expenses, or contribute funds for, the cost to provide health benefits and life insurance to its retirees. The FY 1999 FEHBP cost factor applied to a weighted average number of employees enrolled in the FEHBP is \$2,731 dollars per employee. The FEHBP ORB amount totaling \$5.7 million is included as an expense and imputed financing source in FMS' financial statements for FY 1999. The FY 1999 FEGLI cost factor for employees enrolled in the FEGLI program is .02% of their basic pay. The FEGLI ORB amount totaling \$21.7 thousand is included as an expense and imputed financing source in FMS' financial statements for FY 1999.

NOTE 12. PAYMENTS ON BEHALF OF OTHER FEDERAL AGENCIES MADE THROUGH TREASURY-MANAGED ACCOUNTS

In FY 1999, the following costs were made on behalf of other federal agencies for Treasury-managed accounts:

Credit Reform: Interest Paid on Uninvested Funds	\$ 3,641,812
Payment to the Resolution Funding Corporation	2,328,301
Payments to claimants from the Judgment Funds	1,963,128
Refund of Moneys Received in Error	792,461
Payments to the District of Columbia	612,255
Payments to the Legal Services Corporation	298,083
Payments to the Public Broadcasting Corporation	280,700
Other	139,816
Total	<u>\$10,056,556</u>

Credit Reform: Interest Paid on Uninvested Funds - Direct loan and loan guarantee financing accounts receive various payments, repayments and fees, and make payments on defaults. When cash receipts exceed outlays or when an agency does not disburse all of its borrowings, these balances are held in the Treasury and earn interest. The interest earned on these balances is disbursed from this account.

Payment to the Resolution Funding Corporation - The Resolution Funding Corporation (REFCORP) account is maintained pursuant to the Federal Home Loan Bank Act. FMS provides payments to REFCORP to cover the interest expenses of REFCORP.

Payments to Claimants from the Judgment Funds - Payments from the judgment funds represent payments for certain judicially and administratively ordered monetary awards against the United States, as well as amounts owed under compromise agreements negotiated by the United States Department of Justice in settlement of claims arising under actual or imminent litigation.

Refund of Moneys Erroneously Received and Covered - This account is being used for expenditures that are made for collections or other receipts erroneously deposited into Treasury. These collections represent receipts that were not properly chargeable to any other appropriation. The Harbor Maintenance Fees that were erroneously collected are being refunded from this account.

Payments to the District of Columbia - Payments to the District of Columbia cover certain operations of the District of Columbia. It includes payments for a program of management reform, for the administration and operation of correctional facilities, and for construction and repair of the District's infrastructure.

Payments to the Legal Services Corporation - This account is used to pay the Legal Services Corporation through letter of credit drawdowns. The Legal Services Corporation distributes appropriated funds to local nonprofit organizations that provide free civil legal assistance, according to locally determined priorities, to people living in poverty. The Congress chartered the corporation as a private, non-profit entity outside of the Federal Government.

Payments to the Public Broadcasting Corporation - This account is used to pay the Corporation for Public Broadcasting annually pursuant to the enacted Public Law. The payment is used to assist and facilitate the full development of public telecommunications in which programs of high quality, diversity, creativity, excellence, and innovations will be made available to public telecommunications.

Other - The line item Other includes the following payments: Payments from the Presidential Election Campaign Fund; Payments to the States; Payments to Agencies for Interest on Uninvested Funds; Payment to the Institute of American Indian and Alaskan Native Culture and Arts Development; and Payments to the Farm Credit System Financial Assistance Corporation.

NOTE 13. STATEMENT OF BUDGETARY RESOURCES

The amount of Budgetary Resources obligated for Undelivered Orders is \$46,306 for the entity accounts. The amount of Budgetary Resources obligated for Undelivered Orders is \$26,746 for the Treasury-managed accounts.

Spending authority from offsetting collections and adjustments reported for budgetary resources does not agree to the amount reported in outlays due to \$7.3 million of expired authority that reduces available resources but does not impact outlays.

In FY99, FMS included budgetary accounts for three non-entity funds (20X8902, 20X1743, and 20X0155. See schedule 2 for more information on these funds). The effect of the inclusion of these accounts to the beginning year balance is reflected as an adjustment due to new non-entity budgetary accounts.

NOTE 14. COLLECTIONS OF FEDERAL REVENUES (Custodial Activity)

FMS collects custodial revenue that is not related to its mission and distributes the full amount collected to the Treasury General Fund.

Cumulative Cash Collections Received	1998 Tax Year	1999 Tax Year	Total
Federal Reserve Earnings	\$7,340,008	\$18,576,582	\$25,916,590
Interest, Penalties, Fines & Other Revenue	260,078	825,866	1,085,944
Total	<u>\$7,600,086</u>	<u>\$19,402,448</u>	<u>\$27,002,534</u>

NOTE 15. DUE TO THE GENERAL FUND AND OTHERS

The balance in Due to the General Fund and Others is associated with the following components:

Borrowing from the General Fund	\$ 765,667
Collections from Others, Payable to the General Fund	507,292
Unexpended Appropriations (Payable to Others)	200,504
Cash Held in Reserve for Others	84,721
Other Net Results of non-entity Fund Activity	41,374
Total	<u>\$1,599,558</u>

**Financial Management Service
ENTITY ACCOUNTS
INCLUDED IN FMS' FINANCIAL STATEMENTS**

The accompanying statements include the following 12 entity account symbols:

Salary and Expense Accounts

2091801	Salaries and Expense, Financial Management Service
2081801	Salaries and Expense, Financial Management Service
2071801	Salaries and Expense, Financial Management Service
2061801	Salaries and Expense, Financial Management Service
2051801	Salaries and Expense, Financial Management Service
2041810	Salaries and Expense, Financial Management Service
20X1801	Salaries and Expense, Financial Management Service
208/01801	Salaries and Expense, Financial Management Service
206/71801	Salaries and Expense, Financial Management Service
208/95445	Debt Collection Fund, Financial Management Service
209/05445	Debt Collection Fund, Financial Management Service
20X1884	Federal Reserve Bank Reimbursement Fund

**Financial Management Service
NON-ENTITY ACCOUNTS
INCLUDED IN FMS' FINANCIAL STATEMENTS**

The accompanying statements also present the assets, liabilities, and activities of certain Treasury-managed accounts administered by FMS, and are classified as non-entity. The statements include 114 non-entity account symbols as listed below.

Custodial Receipt Accounts

20 0650 Deposit of Earnings, Federal Reserve System
20 0861 Charges for Expenses, Settlement of International Claims
20 0863 District of Columbia Court Fees
20 1060 Forfeitures of Unclaimed Money and Property
20 1099 Fines, Penalties, and Forfeitures, Not Otherwise Classified
20 1210 Contributions to "Conscience Fund"
20 1299 Gifts to the United States, Not Otherwise Classified
20 1435 General Fund Proprietary Interest, Not Otherwise Classified
20 1450 Interest Payments from States, Cash Management Improvement
20 1484 Interest Received from Tax and Loan Depositories
20 1682 Net Gains on Transactions in Foreign Currencies, Treasury Securities, Treasury
20 2868 Dollar Conversions of Foreign Currency Loan Repayments, Treasury
20 3220 General Fund Proprietary Receipts, Not Otherwise Classified, All Other
20 5445 Debt Collection Fund
20 1361 Interest on Loans to the Railroad Rehabilitation and Improvement Fund

Deposit Funds

Foreign Claims

20X6007 Holocaust Survivor's Claims Settlement Fund, Germany
2015X6078 War Claims Fund, Foreign Claims Settlement Commission
20X6104 Albanian Claims Fund, Treasury
20X6312 Iranian Claims Settlement Fund, Treasury
20X6314 German Democratic Republic Settlement Fund
20X6315 Vietnam Claims Fund, FMS

Debt Management

20X6092 Debt Management Operations

Schedule 2, continued

Other

20X6023 Limited Payability Pre-Effective Date Cancellations Credit
20X6024 Limited Payability Post-Effective Date Cancellations Credit
20X6034 Return of Proceeds of Undeliverable Treasurer's Checks
20X6042 Proceeds and Payment of Unpaid Treasury Checks Issued on Behalf of the District of Columbia
20X6045 Proceeds and Payment of Certain Unpaid Checks
20X6048 Proceeds of Withheld Foreign Checks
20X6071 Return of Miscellaneous and excess Collections
20X6133 Payment of Unclaimed Moneys
20X6158 MOD Rapier Working Capital and Termination Account
20X6311 Kennedy Center Revenue Bond Sinking Fund
20X6701 Proceeds for Unfunding Certain Foreign Exchange Accounts, Treasury
20X6999 Accounts Payable, Check Issue Underdrafts, Treasury

All Others

Payments to Federal Program Agencies, States, and Other

20X0151 Public Broadcasting Fund, Corporation for Public Broadcasting
2090151 Public Broadcasting Fund, Corporation for Public Broadcasting
20X0501 Payment to the Legal Services Corporation, Legal Services Corporation, Treasury
2080501 Payment to the Legal Services Corporation, Legal Services Corporation, Treasury
2090501 Payment to the Legal Services Corporation, Legal Services Corporation, Treasury
2041850 Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service
2051850 Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service
2061850 Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service
2071850 Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service
2081850 Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service
2091850 Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service
20X1851 Payment to the Resolution Funding Corporation, Treasury
20X1860 Interest on Uninvested Funds, Treasury (indefinite)
20X1877 Federal Interest Liabilities to the States, Treasury, Financial Management Service
20X1880 Credit Reform: Interest Paid on Uninvested Funds, Treasury (indefinite)

Schedule 2, continued

20X5081 Presidential Election Campaign Fund
9592900 Payment to the Institute, Institute of American Indian and Alaskan Native Culture and Arts Development

District of Columbia

20X0155 Federal Payment for Water and Sewage Service
2091703 Federal Payment for Management Reform
2091704 Federal Payment to the District of Columbia Corrections Trustee Operations
209/11707 Federal Contribution to the Operations of the Nation's Capital
2091708 Payment to the District of Columbia Criminal Justice System
2091709 Federal Payment for Medicare Coordinated Care Demonstration Project, District of Columbia
2091712 Federal Payment to the District of Columbia Courts
209/11712 Federal Payment to the District of Columbia Courts
20X1715 Metrorail Improvement and Expansion
2091716 Federal Payment for Boys Town U.S.A. Operations in the District of Columbia
20X1717 Nation's Capital Infrastructure Fund
20X1718 Environment Study and Related Activities at Lorton Correctional Complex
2091719 Federal Payment for Metropolitan Police Department
2091720 Federal Payment for Fire Department
2091721 Federal Payment to the Georgetown Waterfront Park Fund
20X1722 Federal Payment to Historical Society for City Museum
20X1723 Federal Payment for National Museum of American Music and for Downtown Revitalization
2091724 Federal Payment for Waterfront Improvement
2091725 Federal Payment for Mentoring Services
2091726 Federal Payment for Hotline Services
2091727 Federal Payment for Public Education
2091728 Federal Payment for Children's National Medical Center
20X1729 Federal Payment for the District of Columbia National Capital Revitalization Corporation
2091730 Federal Payment for Public Schools
2091731 Federal Payment for the Year 2000 Compliance
20X1732 Federal Payment for Infrastructure Improvements
2091733 United States Park Police
2091734 Federal Payment to the District of Columbia Offender Supervision, Defense, and Court Services Agency
209/11734 Federal Payment to the District of Columbia Offender Supervision, Defense, and Court Services Agency – Y2K

Schedule 2, continued

Claims, Judgments, and Relief Acts

20X1706 Relief of Individuals and Others by Private and Public Laws
20X1740 Judgments, Court of Claims (indefinite)
20X1741 Judgments, United States Courts (indefinite)
20X1742 Claims for Damages (indefinite)
20X1743 Claims for Contract Disputes (indefinite)
20X1748 Claims for Fire Fighting Services (indefinite)

Trust Fund

20X8902 Esther Cattell Schmitt Gift Fund, Treasury

Suspense Accounts

20X6770 Suspense, Office of the Secretary of the Treasury
20X6830 Suspense, Net Interest Payments To States, Treasury, FMS
20X6875.018 Suspense, Deposit Fund Accounts, FMS
20X6884.004 Courtesy Disbursements (Suspense), SSI Benefit Payments
20X6884.024 Courtesy Disbursements (Suspense), Office of Personnel Management
20X6884.036 Courtesy Disbursements (Suspense), Veterans Administration
20X6884.060 Courtesy Disbursements (Suspense), Railroad Retirement Board
20X6884.075 Courtesy Disbursements (Suspense), SSA Benefit Payments
20F3810 Undistributed Proceeds from the Sale of Foreign Currency
20F3875.018 Suspense, Budget Clearing Account, FMS
20F3878.018 Deposits in Transit Differences (Suspense), FMS
20F3879.018 Undistributed and Letter of Credit Differences (Suspense), FMS
20F3880.018 Unavailable Check Cancellations and Overpayments (Suspense)
20F3887.001 Debt Collection Collections
20F3887.002 Debt Collection Fees
20F3887.003 Treasury Offset Program (TOP) Collections
20F3887.004 Treasury Offset Program (TOP) Fees
20F3891 Foreign Currency Payments

Other

20X0114 Biomass Energy Development, Treasury
8920X0114 Biomass Energy Development, Transfer to Energy
20X1807 Refund of Moneys Erroneously Received and Covered (indefinite)
20X4109 United States Treasury Check Forgery Insurance Fund
20X6183 Claims Administrative Account
20X6720 Small Differences Account for Deposit and Check Adjustments, FMS
2086763 Gains and Deficiencies on Exchange Transactions, Treasury
2096763 Gains and Deficiencies on Exchange Transactions, Treasury
20X0003 Foreign Currency Held

Financial Management Service
DESCRIPTION OF PERMANENT, INDEFINITE APPROPRIATIONS
INCLUDED IN FMS' NON-ENTITY ACCOUNTS

Claims and Judgments

20X1740, Judgments, Court of Claims - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment of final judgments, awards, and compromise settlements made by the Court of Claims, including Indian claims.

20X1741, Judgments, United States Courts - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment of final judgment awards and compromise settlements made by the United Courts.

20X1742, Claims for Damages - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment of damage claims.

20X1743, Claims for Contract Disputes - The law established a permanent indefinite appropriation to be administered by the Department of the Treasury for payment to contractors. FMS is responsible for requesting reimbursements from the agency involved in the settlement.

20X1748, Claims for Fire Fighting Services – The law established a permanent indefinite appropriation to be administered by the Department of the Treasury to pay fire services that engage in the fighting of fires on property which is under the jurisdiction of the United States. The fire services may file a claim for the amount of direct expenses and direct losses incurred as a result of the fire. All payments from this account are subject to reimbursement by the agency under whose jurisdiction the fire occurred.

Payments to Federal Program Agencies and Others

20X1851, Payment to the Resolution Funding Corporation - The Resolution Funding Corporation account is maintained pursuant to the Federal Home Loan Bank Act (12 U.S.C. et seq.), as amended by Section 511 of the Financial Institutions Reforms, Recovery, and Enforcement Act of 1989 (Public Law 101-73) applicable regulations, 12 C.F.R. Part 1510. FMS makes payments to the Corporation to cover the interest expenses of the Corporation.

20X1860, Interest on Uninvested Funds - Separate Public Laws were created and determine the manner in which interest is accrued and payable by Treasury to the Immigration and Naturalization Service, National Gallery of Art, Library of Congress, and Alaskan Native Escrow Fund.

Schedule 3, continued

20X1880, Credit Reform: Interest Paid on Uninvested Funds - Direct loan and loan guarantee financing accounts receive various payments, repayments, fees and make payments on defaults. When cash receipts exceed outlays or when an agency does not disburse all of its borrowings, these balances are held in the Treasury and earn interest. The interest earned on these balances are disbursed from this fund account. Agencies send their requests to Treasury at year-end for processing payment. The requests by the agencies include a statement from the approving official that they certify that the funds that they are requesting are in accordance with the Credit Reform Act of 1990.

Other

20X1807, Refund of Moneys Erroneously Received and Covered - This account is used for expenditures that are made for collections or other receipts erroneously deposited into Treasury. These collections represent receipts that were not properly chargeable to any other appropriation.

Required Supplementary Information

Schedule 4

**Financial Management Service
Required Supplemental Information
BUDGETARY ACTIVITY – BY FUND
For the Year ended September 30, 1999
(In thousands)**

	S&E	Revolving Funds	Trust Funds	TMA	Total
Budgetary Resources:					
Budget authority	\$339,679	\$ -	\$ 36	\$ 9,959,048	\$10,298,763
Unobligated balances—beginning of period	43,819	6,942	358	347,700	398,819
Spending authority from offsetting collections	132,535	25,866	-	832,985	991,386
Adjustments	45,760	-	-	(5,827)	39,933
Total budgetary resources	<u>\$561,793</u>	<u>\$32,808</u>	<u>\$394</u>	<u>\$11,133,906</u>	<u>\$11,728,901</u>
Status of Budgetary Resources:					
Obligations incurred	\$466,541	\$28,535	\$61	\$10,030,036	\$10,525,173
Unobligated balances available	62,795	4,273	333	318,888	386,289
Unobligated balances-not available	32,457	-	-	784,982	817,439
Total, status of budgetary resources	<u>\$561,793</u>	<u>\$32,808</u>	<u>\$394</u>	<u>\$11,133,906</u>	<u>\$11,728,901</u>
Outlays:					
Obligations incurred	\$466,541	\$28,535	\$61	\$10,030,036	\$10,525,173
Less: spending authority from offsetting collections and adj.	(163,471)	(25,866)	-	(832,985)	(1,022,322)
Obligated balance, net-beginning of period	106,601	-	15	44,903	151,519
Adjustments due to new non-entity budgetary accounts	-	-	-	(138,979)	(138,979)
Obligated balance, net-end of Period	(54,428)	-	(22)	665,115	610,665
Total outlays	<u>\$355,243</u>	<u>\$2,669</u>	<u>\$ 54</u>	<u>\$9,768,090</u>	<u>\$10,126,056</u>

Financial Management Service
Required Supplementary Information
Intragovernmental Accounts - Assets
As of September 30, 1999
(In thousands)

Schedule 5

Non-Entity Accounts Receivable

Partner Code	Partner Agency	Entity Fund Balance with Treasury	Entity Accounts Receivable	Entity Advances & Prepayments	Non-Entity Fund Balance with Treasury	Accounts Receivable	Allowance for Uncollectible Accounts	Accounts Receivable, Net	Total
0400	Government Printing Office	-	-	-	-	\$ 453	-	\$ 453	\$ 453
0500	General Accounting Office	-	-	-	-	72	-	72	72
0900	Legislative Branch	-	1,314	-	-	2,588	-	2,588	3,902
1000	The Judiciary	-	16	-	-	-	-	-	16
1100	Executive Office of the President	-	-	-	-	66	-	66	66
1200	Department of Agriculture	-	442	-	-	15,516	-	15,516	15,958
1300	Department of Commerce	-	1	-	-	87	-	87	88
1400	Department of the Interior	-	1	-	-	83,020	-	83,020	83,021
1500	Department of Justice	-	-	-	-	6,324	-	6,324	6,324
1700	Department of the Navy	-	23	-	-	96,474	-	96,474	96,497
1800	United States Postal Service	-	5	-	-	-	-	-	5
1900	Department of State	-	-	-	-	977	-	977	977
2000	Department of the Treasury	149,680	4,574	3,232	784,979	-	-	-	942,465
2001	Departmental Offices	-	-	-	-	141	-	141	141
2013	Bureau of Engraving and Printing	-	-	-	-	533	-	533	533
2019	Office of Thrift Supervision	-	-	-	-	51	-	51	51
2100	Department of the Army	-	-	-	-	15,555	-	15,555	15,555
2400	Office of Personnel Management	-	462	-	-	60,420	(61,864)	(1,444)	(982)
2800	Social Security Administration	-	5,738	-	-	(3,876)	-	(3,876)	1,862
3300	Smithsonian Institution	-	-	-	-	1,689	-	1,689	1,689
3600	Department of Veterans Affairs	-	1,914	-	-	17,575	-	17,575	19,489
4700	General Services Administration	-	1	-	-	40,983	-	40,983	40,984
5000	Securities and Exchange Commission	-	-	-	-	173	-	173	173
5700	Department of the Air Force	-	-	-	-	363,773	-	363,773	363,773
6000	Railroad Retirement Board	-	760	-	-	(462)	-	(462)	298
6900	Department of Transportation	-	-	-	-	1,145	-	1,145	1,145
7500	Department of Health and Human Services	-	-	-	-	15,786	-	15,786	15,786
8000	National Aeronautics and Space Administration	-	-	-	-	5,087	-	5,087	5,087
8400	Armed Forces Retirement Home	-	13	-	-	-	-	-	13
8600	Department of Housing and Urban Development	-	-	-	-	590	-	590	590
8800	National Archives and Records Administration	-	-	-	-	21	-	21	21
8900	Department of Energy	-	8	-	-	52,514	-	52,514	52,522
9600	U. S. Army Corps of Engineers	-	4	-	-	-	-	-	4
9700	Office of the Secretary of Defense - Agencies	-	138	-	-	16,227	-	16,227	16,365
0000	Other	-	-	-	-	9,431	(3,231)	6,200	6,200
Total		\$ 149,680	\$ 15,414	\$ 3,232	\$ 784,979	\$ 802,933	\$ (65,095)	\$ 737,838	\$ 1,691,143

(continued)

Financial Management Service
 Required Supplementary Information
 Intragovernmental Accounts - Liabilities
 As of September 30, 1999
 (In thousands)

Partner Code	Partner Agency	Non-Entity Due to the General Fund and Others	Non-Entity Liability for Deposit Funds and Suspense Accounts	Non-Entity Accounts Payable	Entity Advances From Others	Entity Other Accrued Liabilities	Accrued Payroll Benefits	Accrued Workers' Comp.	Total
0400	Government Printing Office	\$ -	\$ -	\$ -	\$ -	\$ 316	\$ -	\$ -	\$ 316
1200	Department of Agriculture	-	-	438	-	1	-	-	439
1400	Department of the Interior	-	-	26	-	-	-	-	26
1500	Department of Justice	-	-	21,437	-	1	-	-	21,438
1600	Department of Labor	-	-	-	-	22	-	921	943
1700	Department of the Navy	-	-	1,598	-	1	-	-	1,599
1800	United States Postal Service	-	-	2	-	3	-	-	5
2000	Department of the Treasury	1,599,558	-	-	-	92	-	-	1,599,650
2020	Financial Management Service	-	-	9	-	-	-	-	9
2049	Internal Revenue Service	-	-	105	-	-	-	-	105
2058	Financial Management Service/Franchise Accounts	-	-	17	-	-	-	-	17
2100	Department of the Army	-	-	883	-	-	-	-	883
2400	Office of Personnel Management	-	-	-	-	1	1,167	-	1,168
2800	Social Security Administration	-	-	479	-	-	-	-	479
3600	Department of Veterans Affairs	-	-	5,272	-	-	-	-	5,272
4700	General Services Administration	-	-	-	-	2	-	-	2
5700	Department of the Air Force	-	-	1,046	-	-	-	-	1,046
5800	Federal Emergency Management Agency	-	-	4	-	-	-	-	4
6000	Railroad Retirement Board	-	-	14	-	-	-	-	14
6400	Tennessee Valley Authority	-	-	75	-	-	-	-	75
7200	Agency for International Development	-	-	-	401	-	-	-	401
7300	Small Business Administration	-	-	59	-	-	-	-	59
7500	Department of Health and Human Services	-	-	11,327	-	5	-	-	11,332
8600	Department of Housing and Urban Development	-	-	137	-	-	-	-	137
9100	Department of Education	-	-	5,587	-	-	-	-	5,587
9700	Office of the Secretary of Defense - Agencies	-	-	2,781	-	5	-	-	2,786
0000	Other	-	45,503	6,949	458	-	-	-	52,910
Total		\$ 1,599,558	\$ 45,503	\$ 58,245	\$ 859	\$ 449	\$ 1,167	\$ 921	\$ 1,706,702

Financial Management Service
Required Supplementary Information
Payments on Behalf of Other Federal Agencies Made Through Treasury Managed Accounts
For the year ended September 30, 1999

(In thousands)

Budget Functional Classification Code	Account Name	Account Symbol	Account Title	Governmental	Intra-governmental (See Schedule 6a)	Total
503	Research and Gen Ed Aids	20X0151	Public Broadcasting Fund, Corporation for Public Broadcasting	\$ 30,700	\$ -	\$ 30,700
503	Research and Gen Ed Aids	2090151	Public Broadcasting Fund, Corporation for Public Broadcasting	250,000	-	250,000
				280,700	-	280,700
702	Veterans Ed, Training & Rehab.	2080501	Payment to the Legal Services Corporation, Legal Services Corporation, Treasury	22,816	-	22,816
702	Veterans Ed, Training & Rehab.	2090501	Payment to the Legal Services Corporation, Legal Services Corporation, Treasury	275,267	-	275,267
				298,083	-	298,083
908	Other Interest	2091850	Payments to the Farm Credit System Financial Assistance Corporation, Liquidating Account, Financial Management Service	2,564	-	2,564
908	Other Interest	20X1851	Payment to the Resolution Funding Corporation, Treasury	2,328,301	-	2,328,301
908	Other Interest	20X1860	Interest on Uninvested Funds, Treasury (indefinite)	271	5,588	5,859
908	Other Interest	20X1877	Federal Interest Liabilities to the States, Treasury, Financial Management Service	20,000	-	20,000
908	Other Interest	20X1880	Credit Reform: Interest Paid on Uninvested Funds, Treasury (indefinite)	-	3,641,811	3,641,811
				2,351,136	3,647,399	5,998,535
808	Other Gen Government	20X5081	Presidential Election Campaign Fund	26,448	-	26,448
808	Other Gen Government	20X1706	Relief of Individuals and Others by Private and Public Laws	51,560	-	51,560

**Financial Management Service
Required Supplementary Information
Payments on Behalf of Other Federal Agencies Made Through Treasury Managed Accounts
For the year ended September 30, 1999**

(In thousands)

Budget Functional Classification		Account Symbol	Account Title	Governmental	Intra-governmental (See Schedule 6a)	Total
Code	Name					
808	Other Gen Government	20X1740	Judgments, Court of Claims (indefinite)	-	586,892	586,892
808	Other Gen Government	20X1741	Judgments, United States Courts (indefinite)	-	571,055	571,055
808	Other Gen Government	20X1742	Claims for Damages (indefinite)	-	28,837	28,837
808	Other Gen Government	20X1743	Claims for Contract Disputes (indefinite)	776,330	-	776,330
808	Other Gen Government	20X1748	Claims for Fire Fighting Services (indefinite)	-	14	14
808	Other Gen Government	20X1807	Refund of Moneys Erroneously Received and Covered (indefinite)	792,461	-	792,461
				1,646,799	1,186,798	2,833,597
806	Gen Purpose Fiscal Assistance	20X0155	Federal Payment for Water and Sewage Service	-	-	-
806	Gen Purpose Fiscal Assistance	2091703	Federal Payment for Management Reform	25,000	-	25,000
806	Gen Purpose Fiscal Assistance	2091704	Federal Payment to the District of Columbia Corrections Trustee Operations	152,497	-	152,497
806	Gen Purpose Fiscal Assistance	209/11707	Federal Contribution to the Operations of the Nation's Capital	61,800	-	61,800
806	Gen Purpose Fiscal Assistance	2091708	Federal Payment to the District of Columbia Criminal Justice System	3,728	-	3,728
806	Gen Purpose Fiscal Assistance	2091709	Federal Payment for Medicare Coordinated Care Demonstration Project, District of Columbia	3,000	-	3,000
806	Gen Purpose Fiscal Assistance	2091712	Federal Payment to the D.C. Courts	125,332	-	125,332
806	Gen Purpose Fiscal Assistance	209/11712	Federal Payment to the D.C. Courts	2,553	-	2,553
806	Gen Purpose Fiscal Assistance	20X1715	Metrotrans Improvements and Expansion	25,000	-	25,000
806	Gen Purpose Fiscal Assistance	2091716	Federal Payment for Boys Town U.S.A. Operations in the District of Columbia	7,100	-	7,100
806	Gen Purpose Fiscal Assistance	20X1717	Nation's Capital Infrastructure Fund	18,778	-	18,778

Financial Management Service
Required Supplementary Information
Payments on Behalf of Other Federal Agencies Made Through Treasury Managed Accounts
For the year ended September 30, 1999
(In thousands)

Budget Functional Classification		Account Symbol	Account Title	Governmental	Intra-governmental (See Schedule 6a)	Total
806	Gen Purpose Fiscal Assistance	2091719	Federal Payment for Metro. Police Dept.	1,200	-	1,200
806	Gen Purpose Fiscal Assistance	2091720	Federal Payment for Fire Dept.	3,240	-	3,240
806	Gen Purpose Fiscal Assistance	20X1723	Federal Payment for a National Museum of American Music and for Downtown Revitalization	700	-	700
806	Gen Purpose Fiscal Assistance	2091725	Federal Payment for Mentoring Services	200	-	200
806	Gen Purpose Fiscal Assistance	2091726	Federal Payment for Hotline Services	50	-	50
806	Gen Purpose Fiscal Assistance	2091727	Federal Payment for Public Education	15,622	-	15,622
806	Gen Purpose Fiscal Assistance	2091728	Federal Payment for Children's National Medical Center	1,000	-	1,000
806	Gen Purpose Fiscal Assistance	2091730	Federal Payment for Public Schools	30,000	-	30,000
806	Gen Purpose Fiscal Assistance	2091731	Federal Payment for the Year 2000 Compliance	20,000	-	20,000
806	Gen Purpose Fiscal Assistance	20X1732	Federal Payment for Infrastructure Improvements	50,000	-	50,000
806	Gen Purpose Fiscal Assistance	2091733	United States Park Police	8,500	-	8,500
806	Gen Purpose Fiscal Assistance	2091734	Federal Payment to the District of Columbia Offender Supervision, Defender, and Court Services Agency	56,107	-	56,107
806	Gen Purpose Fiscal Assistance	209/11734	Federal Payment to the District of Columbia Offender Supervision, Defender, and Court Services Agency -	848	-	848
				612,255	-	612,255
803	Central Fiscal Operations	20X4109	United States Treasury Check Forgery Insurance Fund	29,136	-	29,136
502	Higher Education	9592900	Payment to the Institute of American Indian and Alaskan Native Culture and Arts Development	4,250	-	4,250
Total				\$ 5,222,359	\$ 4,834,197	\$ 10,056,556

**Financial Management Service
Required Supplementary Information**

Schedule 6a

Treasury-managed Accounts

Detail of Intragovernmental Payments Made on Behalf of other Federal Agencies

For the year ended September 30, 1999

(In thousands)

Partner Code	Partner Agency	Intragovernmental Costs
0300	Library of Congress	\$ 987
0400	Government Printing Office	338
0500	General Accounting Office	12
1000	The Judiciary	118
1100	Executive Office of the President	26,463
1200	Department of Agriculture	354,182
1300	Department of Commerce	4,545
1400	Department of the Interior	7,771
1500	Department of Justice	42,663
1600	Department of Labor	1,039
1700	Department of the Navy	48,652
1900	Department of State	1,041
2003	Federal Law Enforcement Training Center	222
2006	U.S. Customs Service	4,749
2010	Alcohol, Tobacco and Firearms	1,834
2013	Bureau of Engraving and Printing	200
2014	U.S. Secret Service	1,217
2049	Internal Revenue Service	4,956
2100	Department of the Army	78,791
2400	Office of Personnel Management	36,850
2600	Federal Retirement Thrift Investment Board	2
2700	Federal Communications Commission	257,774
2800	Social Security Administration	1,390
2900	Federal Trade Commission	7
3000	Interstate Commerce Commission	75
3300	Smithsonian Institution	231
3600	Department of Veterans Affairs	424,891
4500	U.S. Equal Employment Opportunity Commission	234
4700	General Services Administration	2,024
5000	Securities and Exchange Commission	95
5700	Department of the Air Force	77,404
5800	Federal Emergency Management Agency	4,785
6500	Federal Maritime Commission	10,288
6800	Environmental Protection Agency	781
6900	Department of Transportation	38,896
7100	Overseas Private Investment Corporation	20,745
7200	Agency for International Development	40,366
7300	Small Business Administration	347,102
7500	Department of Health and Human Services	62,371
7600	Independent Agencies	1,476
8000	National Aeronautics and Space Administration	31,152
8300	Export-Import Bank of the United States	395,734
8600	Department of Housing and Urban Development	250,787
8800	National Archives and Records Administration	13
8900	Department of Energy	159,415
9100	Department of Education	1,529,933
9600	U.S. Army Corps of Engineers	1,512
9700	Office of the Secretary of Defense - Agencies	4,896
0000	Other	553,188
Total		\$ 4,834,197

Consolidating Financial Statements

Financial Management Service
CONSOLIDATING BALANCE SHEET
As of September 30, 1999
(In thousands)

Schedule 7

ASSETS:

Entity Assets:

Intragovernmental Assets:

Fund Balances with U. S. Treasury
Accounts Receivable
Advances and Prepayments

Governmental Assets:

Accounts Receivable
Advances and Prepayments
Inventories of Materials Held for Sale
Operating Materials and Supplies
Property and Equipment, Net

Total Entity Assets

	S&E	TMA	Total
\$ 149,680	\$ -	\$ 149,680	
15,414	-	15,414	
3,232	-	3,232	
353	-	353	
21	-	21	
1,898	-	1,898	
577	-	577	
27,713	-	27,713	
<u>198,888</u>	<u>-</u>	<u>198,888</u>	

Non-Entity Assets:

Intragovernmental Assets:

Fund Balances with U. S. Treasury
Accounts Receivable, Net

Governmental Assets:

Investment in Government Securities - Deposits and Trust Funds, Net
Interest Receivable from Investments - Deposit and Trust Funds
Receivable on Deposit of Earnings, Federal Reserve System
Accounts Receivable, Net
Foreign Currency

Total Non-Entity Assets

-	784,979	784,979
-	737,838	737,838
-	14,729	14,729
-	135	135
-	498,732	498,732
-	18,042	18,042
-	27,662	27,662
<u>-</u>	<u>2,082,117</u>	<u>2,082,117</u>

Total Entity and Non-Entity Assets

\$ 198,888	\$ 2,082,117	\$ 2,281,005
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LIABILITIES:

Liabilities Covered by Budgetary Resources:

Intragovernmental Liabilities:

Due to the General Fund and Others
Liability for Deposit Funds and Suspense Accounts
Accounts Payable
Advances from Others
Other Accrued Liabilities
Accrued Payroll Benefits

Governmental Liabilities:

Liability for Deposit Funds - Foreign and Domestic
Accounts Payable
Accrued Payroll
Obligations Under Capital Lease
Other Accrued Liabilities

Total Liabilities Covered by Budgetary Resources

\$ -	\$ 1,599,558	\$ 1,599,558
-	45,503	45,503
-	58,245	58,245
859	-	859
449	-	449
1,167	-	1,167
-	275,255	275,255
8,896	103,556	112,452
5,695	-	5,695
623	-	623
35,124	-	35,124
<u>52,813</u>	<u>2,082,117</u>	<u>2,134,930</u>

Liabilities not Covered by Budgetary Resources:

Intragovernmental Liabilities:

Accrued Workers Compensation

Governmental Liabilities:

Accrued Actuarial Workers' Compensation
Accrued Annual Leave

Total Liabilities not Covered by Budgetary Resources

921	-	921
4,540	-	4,540
9,940	-	9,940
<u>15,401</u>	<u>-</u>	<u>15,401</u>

Total Liabilities

68,214	2,082,117	2,150,331
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NET POSITION

Balances:

Unexpended Appropriations
Cumulative Results of Operations

Total Net Position

115,824	-	115,824
14,850	-	14,850
<u>130,674</u>	<u>-</u>	<u>130,674</u>

TOTAL LIABILITIES AND NET POSITION

\$ 198,888	\$ 2,082,117	\$ 2,281,005
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Financial Management Service
CONSOLIDATING STATEMENT OF NET COST
For the year ended September 30, 1999
(In thousands)

ENTITY COSTS:**Payments:**

	S&E	TMA	TOTAL
Intragovernmental	\$ 62,976	-	\$ 62,976
With the Public	109,816	-	109,816
Total Program costs	172,792	-	172,792
Less Earned Revenues	(100,814)	-	(100,814)
Net Cost for Payments	71,978	-	71,978

Collections:

Intragovernmental	32,130	-	32,130
With the Public	119,831	-	119,831
Total Program costs	151,961	-	151,961
Less Earned Revenues	(1,598)	-	(1,598)
Net Cost for Collections	150,363	-	150,363

Governmentwide Accounting
and Reporting:

Intragovernmental	24,420	-	24,420
With the Public	43,000	-	43,000
Total Program costs	67,420	-	67,420
Less Earned Revenues	(660)	-	(660)
Net Cost for Governmentwide Accounting and Reporting	66,760	-	66,760

Debt Management Services:

Intragovernmental	8,996	-	8,996
With the Public	16,649	-	16,649
Total Program costs	25,645	-	25,645
Less Earned Revenues	(449)	-	(449)
Net Cost for Debt Management Services	25,196	-	25,196

Net Cost for Entity Operations	314,297	-	314,297
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NON-ENTITY COSTS:

Payments on Behalf of Other Federal Agencies made through Treasury Managed Accounts	-	10,056,556	10,056,556
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NET COST OF OPERATIONS	\$ 314,297	\$ 10,056,556	\$ 10,370,853
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CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION**For the Year Ended September 30, 1999**

(In thousands)

	S&E	TMA	Total
NET COST OF OPERATIONS	\$ 314,297	\$ 10,056,556	\$ 10,370,853
Financing Sources (other than exchange revenues):			
Appropriations Used	300,670	10,024,415	10,325,085
Collections for Treasury Managed Accounts	-	32,141	32,141
Imputed Financing	10,128	-	10,128
Total Financing Sources	<u>310,798</u>	<u>10,056,556</u>	<u>10,367,354</u>
Net Change in Cumulative Results of Operations	(3,499)	-	(3,499)
Increase in Unexpended Appropriations	<u>56,133</u>	<u>-</u>	<u>56,133</u>
Change in Net Position	52,634	-	52,634
Net Position-Beginning of Period	<u>78,040</u>	<u>-</u>	<u>78,040</u>
Net Position-End of Period	<u>\$ 130,674</u>	<u>\$ -</u>	<u>\$ 130,674</u>

Financial Management Service
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the year ended September 30, 1999
(In thousands)

	S&E	TMA	Total
Budgetary Resources:			
Budget authority	\$ 339,679	\$ 9,959,084	\$ 10,298,763
Unobligated balances-beginning of period	43,819	355,000	398,819
Spending authority from offsetting collections	132,535	858,851	991,386
Adjustments	45,760	(5,827)	39,933
Total Budgetary resources	<u>\$ 561,793</u>	<u>\$ 11,167,108</u>	<u>\$ 11,728,901</u>

Status of Budgetary Resources:

Obligations incurred	\$ 466,541	\$ 10,058,632	\$ 10,525,173
Unobligated balances-available	62,795	323,494	386,289
Unobligated balances-not available	32,457	784,982	817,439
Total, status of budgetary resources	<u>\$ 561,793</u>	<u>\$ 11,167,108</u>	<u>\$ 11,728,901</u>

Outlays:

Obligations incurred	\$ 466,541	\$ 10,058,632	\$ 10,525,173
Less: spending authority from offsetting collections and adjustments	(163,471)	(858,851)	(1,022,322)
Obligated balance, net-beginning of period	106,601	44,918	151,519
Adjustments due to new non-entity budgetary accounts	-	(138,379)	(138,379)
Obligated balance, net-end of period	(54,428)	665,093	610,665
Total outlays	<u>\$ 355,243</u>	<u>\$ 9,771,413</u>	<u>\$ 10,126,656</u>

Financial Management Service
CONSOLIDATING STATEMENT OF FINANCING
For the year ended September 30, 1999
(In thousands)

Schedule 11

	S&E	TMA	Total
Obligations and Nonbudgetary Resources			
Obligations incurred	\$ 466,541	\$ 10,058,632	\$10,525,173
Less: Spending authority for offsetting collections and adjustments	(163,471)	(858,851)	(1,022,322)
Financing imputed for cost subsidies	10,128	-	10,128
Treasury Managed Account activity	-	(18,446)	(18,446)
Total obligations as adjusted, and non budgetary resources	313,198	9,181,335	9,494,533
Resources That Do Not Fund Net Cost of Operations			
Change in amount of goods, services, and benefits ordered but not yet received or provided	(7,678)	(1,917)	(9,595)
Costs capitalized on the balance sheet	(6,130)	-	(6,130)
Treasury Managed Account activity	-	813,183	813,183
Total resources that do not fund net cost of operations	(13,808)	811,266	797,458
Costs That Do Not Require Resources			
Depreciation and amortization	8,350	-	8,350
Revaluation of assets and liabilities	482	-	482
Treasury Managed Account activity	-	63,955	63,955
Other	4,938	-	4,938
Total costs that do not require resources	13,770	63,955	77,725
Change in Financing Sources Yet to be Provided	1,137	-	1,137
Net Cost of Operations	<u>\$ 314,297</u>	<u>\$ 10,056,556</u>	<u>\$10,370,853</u>